Daily Report

Latin America

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FBIS-LAT-90-152 *7 August 1990*

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Cuba

Havana Abstains in UN Vote for Iraqi Sanctions

FL0608232190 Havana Radio Rebelde Network in Spanish 2304 GMT 6 Aug 90

[From the "Exclusivo" program]

[Text] The UN Security Council today approved the application of obligatory economic, trade, and military sanctions against Iraq. Thirteen countries voted in favor of this decision, including the five permanent members of the council, while Cuba and Yemen abstained.

In explaining their abstentions, Cuba and Yemen stressed that the measure does not contribute to the diplomatic efforts in progress, especially those by the Arab League, to find a negotiated and peaceful solution to the conflict. Cuba and Yemen reiterated their condemnation of the Iraqi invasion of Kuwait and called for the immediate and unconditional withdrawal of the Iraqi occupying forces.

Nevertheless, Cuba and Yemen expressed reservations about the decision adopted by the council.

Cuban Ambassador Ricardo Alarcon de Quesada said that the sanctions against Iraq were of a selective nature and he noted that the council did not adopt a similar measure during other military interventions that occurred over the past few decades. Such is the case, Alarcon de Quesada said, with the Israeli occupation of vast Arab territories, with the South African occupation of Angolan territories, and with the most recent U.S. intervention against the isthmian nation of Panama.

Minfar Spokesman Praises Stand on Middle East

FL0608142790 Havana Tele Rebelde Network in Spanish 1100 GMT 6 Aug 90

[Text] A Cuban Foreign Ministry [Minfar] spokesman has praised his country's position on the communique issued by Iraqi's Revolutionary Command which announced that Iraq would begin pulling its troops out of Kuwait on 5 August. The spokesman recalled that the Foreign Ministry official declaration on this regretable conflict asked Iraq's Government to withdraw its troops from that sovereign country.

Regarding the Arab League decision on the issue, the spokesman said that his office welcomed the disposition of Arab countries to make proposals for solving the conflict and prevent a deterioration of the situation.

Castro Denounces U.S. 'Intervention' in Monrovia

FL0608131590 Havana Tele Rebelde Network in Spanish 1100 GMT 6 Aug 90

[Text] Commander in Chief Fidel Castro, president of the Councils of State and Ministers, has sent a message to Yoweri Museveni, acting president of the Organization of African Unity, [OAU] stating that yesterday's landing of U.S. Marines in Liberia constitutes a crass interference in Liberia's domestic affairs and that the incident could bring about serious consequences. The message also says that the U.S. action totally ignores the territorial integrity, sovereignty, and independence of free states.

The message says that the U.S. military intervention ignores the proven capability of the OAU to get African countries to solve their own conflicts. It is a remarkable coincidence, the message adds, that U.S. Marines land in Liberia one day before a summit of the economic community of the West African states' is to convene to try to solve that internal conflict within the sphere of the African community.

Opposition armed forces are fighting in Monrovia, the Liberian capital, against the U.S. supported Doe government after a protracted struggle that started months ago in the interior of the country. This military intervention in Africa occurs at a time when U.S. troops are still deployed in Panama, where they landed with similar pretexts, and while another powerful U.S. force is steaming toward the Persian Gulf, Fidel adds.

The message stresses that the African chiefs of state and especially Museveni have been following with concern the tragic and bloody events in Liberia, a situation that threatens the stability of the region. The message adds that Cuba has learned about the U.S. landing of Marines in Liberia with indignation. This maneuver is done on the well-known pretext of protecting U.S. lives and property in Monrovia and after a cynical declaration stating that the troops will remain in Liberia for as long as they are necessary, the message says.

Soviet Official on Fulfilling Commitment to Havana

FL0708023490 Havana Radio Rebelde Network in Spanish 2305 GMT 6 Aug 90

[From the "Exclusivo" program]

[Text] (Karen Katchaturov), president of the Soviet Committee for Solidarity With the Latin American Peoples, said that Cuba is a political and strategic ally to the Soviet Union, and a country that does not fulfill its commitments to its allies is worthless. In reference to the prospects for Soviet-Cuban relations, the professor said that there is a lot of speculation in the West on the viability of these relations, especially regarding the expiration last spring of the trade agreement and the need to extend it. Nevertheless, he said, the USSR has confirmed its willingness to fulfill its commitments with Cuba. However, he stressed, one should realize that the application of market relations in the USSR requires certain changes, especially in regard to economic relations, so that these relations can truly be mutually beneficial. The Soviet official said that the strengthening of Cuban-Soviet relations are helped tremendously by the fact that our government, the leaders of the party, and the Soviet president himself, Mikhail Gorbachev, are firm promoters of the same.

Castro Receives Canadian Communist Party Leader

FL0608145790 Havana Tele Rebelde Network in Spanish 1100 GMT 6 Aug 90

[Text] Commander in Chief Fidel Castro, first secretary of the Communist Party of Cuba [PCC] Central Committee, has received Comrade (George Hewison), secretary general of the Communist Party of Canada.

The meeting between the two leaders was characterized by a warm climate of friendship. The two leaders agreed on current international issues and on the need for the Cuban and Canadian peoples' anti-imperialist struggle to defend the national independence of the two countries.

Raul Castro Speaks at Fajardo Vega Funeral

FL0608225990 Havana Television Service in Spanish 0000 GMT 6 Aug 90

[Text] Commander in Chief Fidel Castro and Army General Raul Castro, top leaders of the Communist Party of Cuba, today presided over the burial service for Juan Fajardo Vega, the last Mambi, veteran of the army that liberated Cuba.

[Begin recording] [Raul Castro] We come to this sacred place where rest the remains of the beloved General Antonio [Maceo] ; his assistant, Captain Francisco Gomez Torro; and the unforgettable Comrade Blas Roca, to fulfill a duty of profound historic and patriotic importance: to give a dignified burial to the last combatant of our independence wars. We are here to show our grief for someone who was a symbol of that indelible struggle for liberty. It is just that the last Mambi be returned to the heart of the land that saw his birth and for which he fought heroically to make the supreme objective a reality. He, as well as thousands of others of the best children of this people, fought for almost 30 years from that bright day on 10 October 1868 when Carlos Manuel de Cespedes, in an incomparable act of dignity, bravery, and love for the fatherland proclaimed Cuba's independence and rose up in arms against Spanish colonial domination.

[Roberto Robaina, first secretary of the Union of Young Communists, reads the "Cuban Youth Document"] The Cubans of 1990 live under difficult times. We want all of you who are now children and adolescents and those of you who are yet unborn to know our firm determination: We will not back down! We will not be traitors! We will never surrender!

Like a seed from the last Mambi, we are certain that these words will be read in a socialist and revolutionary Cuba in the heart of a society that will be able to perfect itself in a way that we cannot even imagine now and which will undoubtedly be the most free, democratic, and full society of this continent, as well as the inspiring and solidaristic example for all of the peoples of the world.

[Raul Castro] The Cuban people will not back down and they have expressed their determination to defend the banners of Marxism-Leninism which will fly in our fatherland today, tomorrow, and always. The people will march along with the revolution under the leadership of the party and Comrade Fidel. The people will not allow the ideals of socialism, independence, social justice, and the things for which they have fought for more than a century to be betrayed. They will be faithful to the legacy of dignity, patriotism, and the honor of our ancestors, our heroes and martyrs, of all those who taught us that to die for the fatherland is to live. We will never tarnish the memory or the example of our dead! Here today before the tomb of the last Mambi, we once again repeat our liberators' war cry: Long live free Cuba! [Crowd shouts: Viva!] [end recording]

Raul Castro Visits Areas of Interest in Camaguey

FL0708031690 Havana Television Service in Spanish 0000 GMT 7 Aug 90

[Italicized passages are recorded]

[Text] Army General Raul Castro, second secretary of the Communist Party of Cuba [PCC] Central Committee and minister of the FAR [Revolutionary Armed Forces] today toured several areas of social, economic, and political interest in Camaguey.

His first visit was to the mausoleum in the cemetery in Camaguey for the martyrs who fell defending their country and in internationalist missions.

The army general was accompanied by Lazaro Vazquez Garcia, alternate member of the PCC Politburo and first secretary of the party in Camaguey; Vilma Espin Guillois, president of the Federation of Cuban Women; Julian Rizo Alvarez, secretary of the PCC Central Committee, and Division General Ramon Espinosa Martin, hero of the Republic of Cuba and chief of the Eastern Army; as well as other leaders.

The second secretary of the PCC Central Committee visited a large military unit as part of his visit to Camaguey where he expressed interest in the soldiers' living conditions. He was briefed on their training and on various initiatives aimed at conserving resources without diminishing the level of training.

While visiting another small unit, the FAR minister presented them with the Model Park award.

[Castro] *I congratulate you on the achievements you have attained. I wish you new and greater successes with the innovations you are introducing during the second half of the training period. Until later. [applause]*

Comrade Raul was also able to observe the Resist and Win Exhibit displayed in the outer halls and hallways of the Camilo Cienfuegos Military Vocational School. All the main organizations and enterprises of the province

displayed different production methods and services that will be applied during peacetime and in the case of an enemy attack.

A rustic hospital equipped with medicine and specialized health technicians were the objects of praise. The hospital has different kinds of equipment and health care materials that, because of the quality with which they are manufactured, can replace other sophisticated and imported equipment.

[Castro] *The important thing is to extend this experience. It should spread throughout the province first, then throughout the nation, although all the provinces are doing similar things. This is an example of how, even with the difficulties we are facing, we are developing creativity, initiative, and systematization. This is good not only for a special period, but also for peacetime. This equipment plays the same role as any other kind of sophisticated and imported equipment.*

The Resist and Win Exhibit caught the attention of Comrade Raul and other leaders. He spoke at length here on what conservation means for the economy, the number of parts manufactured and recovered, initiatives, and technical and sometimes rustic solutions so that production does not come to a standstill in any sector.

[Castro] *[Words indistinct] looking here, looking there. There is greater cooperation that continues to rise in institutions, in organizations. The organizations are cooperating among themselves. The provinces are cooperating among themselves. I think that the conditions have been created and we are very pleased with what we see. We are producing more, doing more with less in every case. It is a very important matter. The masses have adopted this idea. The masses have adopted this idea and it has become, as Marx said, a material force. We have difficulties; we will continue to have them. [Words indistinct] Here, simply, we will finish.... [interrupted by applause] We will finish what is realistic, whether it is amid war or other difficulties. And above all, no one will back down! Fatherland or death, we will win!*

Minister, Delegation To Attend Colombian Ceremony

FL0608152490 Havana Tele Rebelde Network in Spanish 1100 GMT 6 Aug 90

[Text] Education Minister Jose Ramon Fernandez, vice president of the Council of Ministers, heads the delegation that has departed for Colombia to attend the inauguration ceremony of new Colombian President Cesar Gaviria Trujillo on 7 August.

It has been announced that seven Latin American heads of state and 20 foreign ministers will be present during the ceremonies.

Fernandez Arrives in Colombia

FL0608234790 Havana Radio Rebelde Network in Spanish 2316 GMT 6 Aug 90

[From the "Exclusivo" program]

[Text] Within the framework of Latin American information, the PRENSA LATINA agency has reported that Jose Ramon Fernandez, vice president of the Cuban Council of Ministers, said in Colombia today that it is an honor to be with the Colombian people and its new government presided over by Cesar Gaviria Trujillo.

Upon arriving at the Catan military airport in this capital, Fernandez, who is presiding over the Cuban delegation, stressed that friendly and smooth relations exist between Colombia and Cuba and said that Cuba hopes the new president has great success and extends its best wishes to him in his efforts

The delegation was received by Colombian Vice Foreign Minister (Clemencia Forrero), who expressed her government's satisfaction that Cuba is represented at Gaviria's inauguration, which will take place tomorrow at 1500 at the Narino Palace.

Fernandez, who is also education minister, stressed that the Cuban people and Government wish to maintain smooth relations, stable communications, and cooperation with Colombia.

* Social, Economic Ills in Villa Clara Slum

90CA0070A Havana BOHEMIA in Spanish No 21, 25 May 90 pp 52-54

[Article by Mirta Rodriguez Calderon]

[Text] Emilio Polanco has still not been able to lay a floor in his house in Guajamal on the banks of the Ciego Laya, that muddy, winding tributary of the Agabama, which flows through Manicaragua. Nevertheless, the issues discussed in his living room, with guests seated wherever they can find a place, could change the history of their community.

Polanco is zone coordinator in the Patricio Lumumba district, official name of a community numbering some 2,000 residents belonging to 495 families, a place where Emilio has become something like the driving force of a very great desire to direct and improve the lives of all.

Most of these barrios were formed due to the generosity of others and they in turn break up with such speed that to check the development of the unhealthy hotbed to which residents return on Saturday and Sunday is now one of the major tasks, especially for Eduardo. That would be Eduardo Alberto Grau, a young man from a sterling economic and social background, born in the capital of Villa Clara, and who came to Guajamal to learn something not taught at the university.

The daily routine here is quite similar to that of other districts in our country long deprived of attention or any

attempt at transformation. Material possibilities are lacking, although there is plenty of do-it-yourself construction.

Battles have been waged here against recidivism and prostitution. Venereal disease is under control and, for the time being at least, success in this area is greater than that in the fight against alcoholism. The other major problem is the insufficient supply of water, forcing local residents to go to the stream, with the harmful effects to health it implies.

What distinguishes this "suburb" from any other nearby "parent" community is that the people have realized how much they can achieve if they join together, that they must not wait to receive assignments or have plans underway (although the latter are virtually indispensable in order to exert influence on the spiritual life of people, teach them how to live and sometimes how to think). This is the core of the action. Organizations do not sit around looking at poverty or wringing their hands over it, but rather, transcend it.

It is a very hard task and the people know it. It is much more than getting the bus reach the barrio or having Mardi Gras come there. Rather, it is having an office built for the family doctor or obtaining aid for so-called "social cases": single mothers, old people with no income, and so on.

The uniting of efforts became tangible early last year, but nearly everyone agrees that the point of departure was the arrival of the doctor, Eduardo, to the barrio. More than a few residents remember the night of the CDR [Committee for the Defense of the Revolution] meeting when the young doctor was first introduced.

Eduardo experienced a rush of emotions that night. They had told him he would be the only recent graduate staying in Manicaragua, but that his assignment was difficult. When he first arrived and saw the area, he felt overwhelmed: Where to begin?

"And yet, I saw so much enthusiasm at the party that night, the poor people were so happy, that I realized they were beautiful people and that I would have to work with all of them."

Which is just what he did. The first thing he did was work shoulder to shoulder with the other mobilizing entities, particularly the CDR coordinator, and he succeeded in making the representatives of the social forces themselves overcome the rejection of the most deprived and those lost along the way.

The fruits of making others feel there were people who were concerned about them and who would help them began to result in fewer dropouts from school and work, plus former prisoners won over to productive life in coffee, agriculture, and construction, standards of hygiene observed by the vast majority: in short, progress in social welfare work and prevention.

"But in the area of feelings," Eduardo says, "we have made practically no headway. There are many homes with conflicts, the younger children are very demanding, and families cannot meet their aspirations economically or intellectually. I do not have teenagers with severe maladjustment, but many have great cause for unhappiness."

One expression of the situation is early motherhood. The doctor was greatly troubled to learn that three of the girls participating in the sex education class were pregnant:

"Our infant mortality figures are among the highest," the doctor reported, and the 12 that died last year were born to teenagers. What is most disturbing," he emphasized, "is that parents are not at all alarmed when their daughters have babies at 14!"

"Furthermore, there are many things that I still do not know how to handle despite the cooperation of Tania and Maritza (the former is Eduardo's wife, a student in advanced psychology, and Maritza is the specialist at the clinic). For example," he said, "the affectation of a number of the young men who are rejected by their classmates, causing them to stay more with the women, thereby aggravating the situation. I am worried about family violence, lack of affection, and how people without jobs spend their idle time."

Dinners

After a few initial attempts in the Patricio Lumumba barrio, they managed to organize a party with young residents, adding, with the support of the Culture organization and particularly the FMC [Federation of Cuban Women], refreshments of herbal teas which the families themselves brought. With music and "drinks," a dance immediately took shape.

When the party is held in the office, the invitation says for "the tea party" and if it is held at the barrio club (a place specially set up), they call it "the cooking party." The essential purposes are the same: to deter drinking (Manicaragua has the highest consumption in the central province) and guide drinkers toward practical and cultural interests, in addition to providing a good time for everyone by bringing them together with their peers and offerinng music and conversation.

The little tea parties in the office place emphasis on health education. The doctor uses them to teach the values of medicinal plants and summon patients presenting certain complaints. No patient with hypertension is unaware of the benefits of purple basil and no asthmatic ignores the qualities of "sabila" with honey.

Although there were many reasons why Dr. Grau was awarded the Provincial Vanguard honor and his office named a model, his vigorous efforts in confronting local social problems, both clinical and environmental, were among the things residents praised the most.

"We have no more patience with the influence of the Jehovah's Witnesses. What could they offer to anyone if everyone feels supported and helped? Ex-convicts, men and women, are reintegrated as soon as they arrive and urged to return to work immediately.

Although not all economic organizations in the area contribute their best effort to this reintegration of those who have committed crimes, we are making progress. By the end of January, only 21 were out of work out of a population of 1,859, of which 841 are men, half of these adults.

This persistent battle is like a kiln in Manicaragua, the largest municipality of Villa Clara and the source of its highest rates of infant mortality, alcoholism, and suicide. It is also the region that gives the most to the provincial economy from its vast coffee and tobacco plantations. A large part of life in the mountains and the center of the country belongs to and goes on in this territory. But when one views things from the broader angle of all of Manicaragua, Guajamal is only one of its barrios, perhaps the poorest, in the south.

The implicit contrasts and hopes indeed reside in the stubborn creativity of its people, bent on laying a better foundation for the future.

Most of Dr. Eduardo Alberto Grau's work is done in the poorer areas of the barrio, where very few homes have toilets and some even lack latrines.

Good News!

By the time this issue was going to press, the Office of Secretariat of the Social Welfare Commission in Villa Clara reported that one of the minibrigades had begun work on building housing for the residents of Guajamal and other towns in Manicaragua.

Haiti

Trouillot To Leave for Venezuela, Colombia 6 Aug

FL0608164590 Port-au-Prince Radio Nationale in Creole 1300 GMT 6 Aug 90

[Excerpts] Provisional Haitian President Ertha Pascal Trouillot is going on an official visit to Venezuela and Colombia. The chief of state will be leaving for Caracas, Venezuela this morning at approximately 1100, and she will go on to Bogota, Colombia later this evening to attend the inauguration of Colombian President-elect Cesar Gaviria Trujillo.

President Trouillot will be returning to Haiti at approximately 1330 on Wednesday 6 August 1990 [date as heard]. Accompanying the president on her trip will be: Foreign Minister Kesler Clermont; Information and Coordination Minister Carlo A. Desinor; Colonel Raoul Cedras; Guy Dallemand, who is the executive secretary for the presidency; Attorney Max (Kernisan), and a lady companion.

During President Trouillot's absence, the Council of Ministers will be presided over by Defense Minister Jean Thomas.

This is a press release from the Ministry of Information and Coordination. [passage omitted]

Lahens Demands Trouillot Government Resignation

FL0608172390 Port-au-Prince LE MATIN in French No 29.999, 4-6 Aug 90, p.12

[Text] Mr. Alphonse Lahens, leader of the MNPH (Haitian Nationalist and Progressive Movement) demands the resignation of the Trouillot government, which he holds responsible—together with the State Council and the Provisional Electoral Council [CEP]—for the current crisis.

Demanding a return to "constitutional legality," Mr. Lahens demands the establishment of a climate propitious to elections "free of all foreign influence and the crooked wheeling and dealing of politicians."

Furthermore, he accuses the government, the CEP, and the State Council of wanting to "drag out as long as possible 'their moment of glory,' to plunder the State coffers without circumspection."

Calling to mind the "irresponsibility of the government, the CEP, and the State Council," Alphonse Lahens declares he "has trouble understanding their silence vis-a-vis the tragedy and shame of the Bahamas incident; their obvious complicity in inviting Mr. Carter to play a part in the Lafontant affair, a strictly internal problem; their initiative vis-a-vis the United Nations to ask that military troops (Blue Helmets) be sent to hold the elections; and their decision—which constitutes an abuse of power—to fire a judge following a court decision handed down by that judge, a decision that may not be appealed."

Last, Mr. Lahens condemns the government decision to forbid former President Leslie Manigat to return to Haiti, an attitude he calls "undemocratic."

AHP Interviews Church Leader on Elections

FL0608181090 Port-au-Prince Radio Metropole in French 1600 GMT 3 Aug 90

[Text] According to the president of the Caribbean Council of Churches, elections cannot solve the Haitian problem but can be a first step toward a solution, if the said elections are free, honest, and democratic and if the security for the elections is guaranteed. So said the Reverend Allen Kirten, who granted the Haitian Press Agency [AHP] an interview on this subject.

Reverend Kirten says he understands the position of the Provisional Electoral Council, which says it is ready to stop electoral activities should the demands for justice and security not be met; because, says Kirten, it would be

irresponsible to send the population out to be slaughtered again, if a minimum of security is not guaranteed.

Kirten said, further: The elections cannot be held in a climate of insecurity, for the candidates will not be able to campaign at their ease, and the potential voters will be afraid to go out and vote, which will result in elections without an electorate.

Kirten declared, furthermore, that his information leads him to believe that the forces whose job it is to protect lives and property do not do much to favor peace and security in Haiti.

Fire Reported at Fuel Storage Facilities 4 Aug

FL0608173090 Port-au-Prince Radio Nationale in Creole 1300 GMT 6 Aug 90

[Excerpts] The situation in the Bizoton area [of Carrefour, southern section of Port-au-Prince]—where the reservoir of oil, gasoline, gasoil, fuel oil, of the petroleum companies.... [changes thought] The situation has stabilized now, after intervention by the fire fighting corps, the Red Cross, and the pertinent authorities, said the petroleum company authorities. These authorities, together with the Ministry of Commerce, are preparing a final balance sheet of the damages caused by that fire.

A petroleum company tanker was scheduled to arrive last Saturday, but due to the accident has postponed its trip until Wednesday 8 August. No shortage is envisioned, nor is there any current shortage of gasoline or gasoil in Haiti. Here is Ady Jeangardy with further details.

[Jeangardy] The situation in Bizoton has improved. There is no longer any question of the petroleum companies—Shell, or Esso, or Texaco—lacking gasoline. People need not go out and fight over gasoline, thereby bringing about a shortage.

That is what the petroleum company authorities said after the firemen, the Red Cross, and all the other authorities concerned intervened following the accident that occurred in Bizoton, where the gasoline companies are located. [passage omitted]

Many drivers rushed to the gas stations all weekend. Fearing future shortages, they hurried to fill their tanks in such great numbers that the gas station owners decided to close on Sunday. [passage omitted]

Texaco was the company most affected by this accident because it suffered the most damage. While waiting for Texaco to resume distributing gasoline both in Port-au-Prince and in provincial towns, what kind of balance sheet can Texaco commercial director Gerard Gardere give us?

[Begin recording] [Gardere] [Passage omitted] For example, we can already tell you that five or six vehicles used to transport products, some of which were inside our terminal, have been damaged. As you know, the three companies' terminals border on one another. I think two vehicles for product transport that were in the Esso depot, which was right next to our warehouse, were also damaged. In addition to these vehicles for transporting products, two or three lighter vehicles were also entirely or partially damaged. Also, a lubricant warehouse of ours, and a storehouse that contained diverse kinds of materials—pumps, general equipment, and accessories for our gas stations—were totally consumed. Fortunately, no one was killed or hurt. [passage omitted]

I can already tell you that we will be able to resume distributing refined products normally in 48-72 hours. In 8-15 days, we think we will even be able to provide all our clients with lubricants normally, as in the past. [end recording]

Calm Urged After Panic

FL0608205590 Port-au-Prince Radio Metropole in French 1600 GMT 6 Aug 90

[Excerpts] [Passage omitted] Fire. A run on service stations to fill up. People running out of gas in the middle of the street. Reduced traffic. That's how the capital looked during the past 48 hours.

Saturday afternoon the capital, particularly the Thor area in Carrefour, missed disaster by the skin of its teeth when a big fire broke out at Texaco's oil depots. This fire, the origins of which are as yet unknown, created a real panic among area residents for many hours. People were afraid Texaco's cisterns, full of gasoline, would explode. [passage omitted]

The airport firemen, who in principle are not supposed to leave the landing strip, were once again obliged to hurry to the aid of their colleagues from (?Legitime) Street. The Sheli Company provided them with foam. [passage omitted]

Following this fire on Saturday, most gas stations shut down. Drivers were very much afraid there would be shortages, and there were long lines of motorists demanding to fill their tanks at any price. There were big traffic jams in certain streets in the capital Saturday because of the many cars at the gas stations. [passage omitted] Most Port-au-Prince gas stations are still not open today, Monday [6 August]. [passage omitted]

Minister of Commerce and Industry Maurice Lafortune went on television yesterday, Sunday, to dissipate the population's apprehensions following the panic caused by the fire. Interviewed yesterday [5 August] by Radio Metropole, the minister of commerce formally guarantees that there will be no shortage of petroleum products, because everything is OK [preceding word in English]. A tanker is to arrive on 8 August. [passage omitted]

Port 'Completely Shut Down' by APN Strike

FL0608205190 Port-au-Prince Radio Soleil Network in Creole 1830 GMT 6 Aug 90

[Excerpts] All National Airport Authority [APN] employees [as heard—National Port Authority, APN, employees are on strike] have been on strike since Saturday morning [4 Aug] to protest the decision by Finance Minister Moise Pierre-Louis, who is also minister of Public Works, to fire the APN's general director, Fritz Joseph. The employees say they will not go back to work until the minister reverses his decision. Meanwhile, some eight ships that had arrived to unload merchandise have had to turn around and head for other countries. According to the employees, money is the issue behind this decision.

[Begin recording] [Unidentified man] We of the APN will not allow this dismissal, because if we allow it, crooked wheeling and dealing at the administrative level is going to continue. I mean, the APN is one of the rare, autonomous services that now has a little money in its hands it can hold on to during this period. All the others are bankrupt. [passage omitted]

They want to get at the money! Because they know elections are near, they need to get their hands on the money and make off with it. We will not have this! Fritz Joseph is general director; and we will not hear of anyone else taking his place until the transition is over! When (?another president is elected), if he sends someone else out here to the wharf, we will accept him. However, as long as this transitional government is in power, there will be no other person here. It must be Fritz Joseph who is here. We will not accept anyone else! [passage omitted]

There is a transoceanic ship there now, one that goes between Europe and the Caribbean. It's standing off, out there. If (?the general director) isn't here, that boat will just have to leave. We, all of us, employees, stevedores, salaried employees, everybody at the APN is demanding Fritz Joseph as general director! [passage omitted]

Everything is completely shut down! The entire wharf is shut down. Not a soul is working. Everyone is unanimous on this: We are not going to work until they take care of this Fritz Joseph problem!

And let me tell you, (?this is) a personal conflict, because there is crooked wheeling and dealing behind all of this, under the table! That's why I'm telling you that they are not going to get away with this crooked wheeling and dealing. It is Fritz Joseph that we ourselves (?appoint) to be general director. [passage omitted] [end recording]

We remind listeners that it was the APN employees who went and negotiated to make Joseph general director in mid-March, after General Avril's departure. [passage omitted]

Private Sector, Officials Discuss Power Rationing

FL0608190790 Port-au-Prince Radio Metropole in French 1600 GMT 3 Aug 90

[Excerpts] The energy crisis and its repercussions on the operations of commerce and industry was reportedly on the agenda of an important meeting that took place yesterday [2 August] at the Ministry of Commerce. The guests: ADIH, Haitian Manufacturers Association; the Chamber of Commerce; the governor of the central bank; and, of course, the accused: Electricite d'Haiti [EDH, the national electric company].

This work meeting, organized by the Ministry of Commerce, was reportedly the ideal place for merchants and industrialists to table their grievances against EDH. The private sector representatives stressed the difficult time they are presently having with the power rationing imposed by EDH on the subscribers along the metropolitan zone's 29 circuits. The perturbation of commercial and industrial activities due to the rationing is significant, stressed the members of the private sector present at the meeting. They declined to put a figure on the amount of money they have lost since the power rationing began. [passage omitted]

Raymond Roy, president and director general of Haiti Metal, a company that has been operating in the Thor section of Carrefour for the past 30 years, announced yesterday morning that he has been obliged to stop activities because of the power failures. The consequences: 400 employees are virtually unemployed, against everyone's will. Roy pointed out that despite the power failures, his electricity bill is increasing. Also, the drop in Haiti Metal's production due to the blackouts [preceding word in English] has favored an invasion of the local market by contraband foreign products. Raymond Roy was highly critical of EDH, which cannot manage to satisfy the peak demand of 86 megawatts to the subscribers of the Port-au-Prince area. [passage omitted]

EDH was represented at this meeting by its second in command, Robert Abraham, who through technical considerations clearly admitted that EDH cannot, at the present time, meet the needs of the population, especially because of the prolonged dry season occurring now. As a consequence of this, the Peligre hydroelectric plant is operating at a slower rate, which means drastic rationing of electric power. [passage omitted]

It must also be pointed out that EDH is having trouble finding the necessary foreign currency to purchase spare parts. Efforts in this regard have been made by the authorities, particularly the Central Bank. In connection with this, the governor of the Central Bank, Serge Pothel, who was present at this meeting, invited the shipping companies to pay their wharfage bills, which are close to $7 million. Pothel said he was willing to help EDH in an effective manner, should this money be paid by the shipping lines.

The minister of commerce intends to invite the National Port Authority and the agents of the shipping lines to a meeting soon to discuss this matter. [passage omitted]

Decree Appoints New Board of Director of Banks

FL0608180490 Port-au-Prince Radio Nationale in Creole 1300 GMT 6 Aug 90

[Text] By presidential decree dated 3 August 1990, the board of directors of the Banque de la Republique d'Haiti [BRH, the central bank] is now made up of the following people: Charles Beaulieu, governor of the BRH, president; Fritz Laurenceau, deputy governor, vice president; Fritz (Via'a), member; and (Rene) Durand.

The board of directors of the Banque Nationale de Credit is now made up of the following people: (Elie) Jean-Philippe, president; Raoul Nelson, vice president; (Chenier) Saint-Julien, member; and (Pravel Vieux) member.

St. Christopher and Nevis

Prime Minister Hails Caricom Summit 'Success'

FL0608184790 Bridgetown CANA in English 1812 GMT 6 Aug 90

[Text] Basseterre, St. Kitts, Aug 6, CANA—St. Kitts and Nevis Prime Minister Dr. Kennedy Simmonds, back home from Jamaica, has hailed the just-concluded 11th Caricom [Caribbean Community] summit there as a success, despite being overshadowed by the tragedy in Trinidad and Tobago. Simmonds, who led a six-member delegation to Kingston, told newsmen significant progress was made towards achieving a single common market and economy for the English-Caribbean grouping.

He said "the Common External Tariff (CET) will be an integral part of the common market." Simmonds added that the heads of government took into consideration the concerns of the Organisation of Eastern Caribbean States (OECS), regarding the effect such a tariff could have on the cost of living in the sub-region. He added that the OECS has four years to gradually move towards the CET in areas which would affect the cost of living.

Simmonds said the meeting discussed wide ranging issues including Caricom trade with the U.S., Canada, and Europe, expansion of the Regional Security System (RSS), and the University of the West Indies (UWI) plan for human resource development for the non-campus territories, like St. Kitts and Nevis over the next decade.

Simmonds noted that the heads of government accepted the offer made by St. Kitts and Nevis to host the 12th summit in Basseterre next July. He added that the Caricom leaders will hold a special meeting in Antigua in December to mark the 25th anniversary of the signing of the Carifta-Dickenson Bay Agreement. The special meeting will deal with the report of a recently completed review of the programmes and institutions of Caricom.

Trinidad and Tobago

President Hassanali Makes Temporary Appointments

FL0608141390 Bridgetown CANA in English 1606 GMT 5 Aug 90

[Text] Port of Spain, Trinidad, Aug 5, CANA—President Noor Hassanali on Sunday named Planning Minister Winston Dookeran to act as prime minister and made five other temporary appointments to the Trinidad and Tobago cabinet following last week's failed coup attempt. A government statement said the appointments, made on the advice of Prime Minister A.N.R. Robinson, were to allow Robinson and five ministers time to recuperate from their five-day hostage ordeal at the hands of the Black Muslim rebels.

In addition to acting as prime minister and minister of the economy, Dookeran will stand in for Selby Wilson as minister of finance. Lincoln Myers, the minister of the environment and national service, will act for Gloria Henry as minister of social development and family services.

Suruj Rambachan, the junior minister in the Ministry of Industry, Enterprise and Tourism, was given reponsibility for the Portfolios of Youth, Sports and Culture held by Jennifer Johnson. Energy Minister Herbert Atwell was chosen to relieve Selwyn Richardson as minister of national security and justice and Education Minister Clive Pantin was given responsibility for the Health Ministry held by Dr. Emmanuel Hosein. The temporary responsibilities are in addition to the portfolios held by the ministers.

Meanwhile, government parliamentarian Leo des Vignes who died on Wednesday after being hospitalized for a gunshot wound sustained during the hostage crisis, was buried on Saturday. Des Vignes, who was minister in the prime minister's office, was 58. He represented the constituency of Diego Martin Central in the House of Representatives.

Country Slowly Returns to Normalcy After Coup

FL0608130390 Bridgetown CANA in English 2146 GMT 4 Aug 90

[Excerpts] Port of Spain, Trinidad, Aug 4, CANA—Long queues formed outside supermarkets and petrol stations and the curious circled the Red House area with cameras on Saturday as Trinidad and Tobago slowly returned to normalcy following a six-day coup attempt. Officials said President Noor Hassanali would address the nation on the recent crisis in a national broadcast on Sunday night.

Meanwhile, the process of identifying bodies removed from the Red House (Parliament) began on Saturday after bomb experts, morticians, and soldiers cleared the building on Friday. The bodies had remained in the Red House for six

days as Black Muslim rebels held Prime Minister A.N.R. Robinson and other parliamentarians hostage.

Government officials put the final death toll at 23. They said nine of the bodies were found in the Red House, one of which was identified as an assistant police superintendent. There was the body of one woman, and one policeman but no identification has yet been made. One body, also yet to be identified, was found at Trinidad and Tobago Television (TTT) where rebel leader, Yasin Abu Bakr, held media workers hostage. Fourteen other people died of gunshot wounds, including a sentry at police headquarters which was bombed at the start of the coup attempt. [passage omitted]

Meanwhile, in downtown Port of Spain, already tired fire officers fought a fire in some offices on Independence Square. The fire started mysteriously Saturday morning. Businessmen sited near to the Red House took advantage of the easier access to check on their offices. In some buildings, massive clean-up operations began Saturday following days of looting. Banks are due to open on Sunday to allow access to cash before people come out to work on Monday.

As some queued to enter supermarkets, untouched by looting, five at a time, many people rushed around buying copies of newspapers which this weekend carried blow-by-blow accounts of what had happened during the six days. [passage omitted]

This weekend, a team of top local lawyers were meeting to formulate the mix of charges of treason, murder, and kidnapping against the Jamaat members.

Costa Rica

Government Communique Condemns Invasion of Kuwait

PA0408021090 San Jose Radio Reloj in Spanish 0123 GMT 4 Aug 90

[Text] The Costa Rican Government has firmly condemned the Iraqi regime's invasion of and aggression toward Kuwait, terming the unjustified display of force as inexplicable.

The official communique issued by President Rafael Angel Calderon Fournier's government also calls on the civilized international community to achieve the withdrawal of Iraq's troops through all the diplomatic and economic means possible.

Costa Rica requests that the necessary action to solve this serious problem, which threatens world peace and stability, be found through joint action.

Calderon Comments on Economic Issues

PA0608154090 San Jose LA NACION in Spanish 30 Jul 90 p 5-A

[Report by Armando Mayorga]

[Text] As his car made its way through the winding road, President Rafael Angel Calderon Fournier changed his muddied boots for loafers he was carrying in a plastic bag. After visiting the rural town of San Pablo de Turrubares, he prepared to have lunch with a friend of the family in San Jose, on 28 July, her birthday.

The Costa Rican president almost always rides in the front seat next to Arturo Gonzalez, his stocky driver of more than 10 years, because he has a better view of the road and of the large number of Costa Ricans who wave at him along the road. "Slow down! slow down!" he suddenly told Arturo. A dark-skinned heavy woman in her 40's was signaling the car to stop. He parked his blue Nissan Patrol in the outskirts of a small town located between San Pablo and Puriscal. The woman handed him a letter through the window asking for help. She told him: "All we need is construction material because we will do the work." After a brief chat, the president continued on his way toward San Jose. During the almost hour-long trip, he talked to LA NACION about the country's fiscal situation, his concerns, and prospects in that area until 1994 when his mandate ends. He stressed—and does not stop repeating it—that "we are going through a very difficult fiscal situation," since he received the state coffers empty, and that had he not taken the warranted measures, this year's fiscal deficit would total 37.8 billion colones and over 50 billion colones in 1991. Nevertheless, he hoped that the increases in public service fares, fuel, and staple products, and cuts in public spending will counter the government's shortage of resources, so that in December the fiscal deficit will be 25 billion colones, which means five percent of the GNP. Calderon Fournier admitted it is very unlikely the Legislative Assembly will approve the bill to reorganize the tax system before the end of this year, because the National Liberation Party (PLN) has come out against some tax adjustments. He hoped that the bill will be debated during the Legislative Assembly's extraordinary sessions in August or if not, in December and January; otherwise, the country would fail to keep the agreements made with the IMF. This would end the contingency agreements signed with that organization. The president explained that this situation would end international financial assistance, chiefly from the World Bank, and would cause other things, such as a strong devaluation of the colon with regard to the dollar; the colon is now 92.65 colones to the dollar. At the same time, the government would be compelled to dismiss public employees and make drastic cuts in investments and spending: "We would be entering a chaotic situation . . . many sectors would be hurt," he noted.

"I hope the PLN lawmakers behave responsibly and place the interests of fatherland above everything," the president remarked, asking the opposition to pass the economic measures he deems urgent. He assured that these measures will be implemented until the "fiscal emergency" ends and state revenues improve. By way of example, he said the sales tax, which he wants to raise from 10 percent to 13 percent, will return to its current rate toward the end of his administration. Next year, the sales tax would be 13 percent; it would drop to 12 percent in 1992, 11 percent in 1993, and 10 percent in 1994. Social Christian Deputy Miguel Angel Rodriguez Echevarria will submit that proposal before the Treasury Affairs Committee, where the debate on the tax adjustment will be taken up again. Calderon Fournier said he supported Rodriguez Echevarria's proposal to put a ceiling on government spending at 94 billion colons. "That is what we are striving for and we cannot go over the ceiling on spending under any circumstances," he noted.

"When I took office on 8 May, I became very worried about the situation I found. It had deteriorated even more than I thought."

"However," he added, "I am pleased that God has given me the strength to face the situation with the right policies. I know that although the economic adjustment causes pain and suffering for most Costa Ricans, it is a sacrifice that will allow the country to achieve great progress in a few years. Had we not decided to implement this adjustment, it would have resulted in much more pain for everyone."

"We must understand that we need resources to develop a series of programs for social benefit, and that we have to apply the economic adjustment in order to have these resources," he said.

Calderon has promised that the nation's well-being will begin in 1991. He said that, for the rest of this year, he does not foresee a drop in inflation and the bank interest rates, or any stability in prices. He added that his biggest obstacle is the high government deficit.

Asked what he thinks will be the inflation rate figure for 1990, he replied: "I do not like to cite figures, because then they restrict you and you cannot do what is needed to attain true stability."

However, it is clear that it will be higher than last year's figure, which was 10 percent, as noted in official reports issued by the Arias administration.

"We will reduce this figure in 1991, will force it down to a lower level in 1992, and to an even lower level in 1993," Calderon said.

Three months after his inauguration, he admits that the PLN has carried out a "responsible" opposition, except in the case of the tax package.

"More than 50 laws have been approved so far. I hope that the responsibility exhibited by all the deputies will remain with them during the rest of my term in office."

He viewed the attitude assumed by the PLN faction against the bill for a tax reorganization as "politically logical" in the beginning, but he said that he expects a change in attitude as these measures are explained.

With the vote of its 29 representatives, the Social Christian Unity Party (PUSC) can approve the tax package because a simple majority is all that is needed for it. The PLN has 25 congressmen and the minority parties have three.

Notwithstanding, the parties have "unlimited" legal possibilities to delay the bill because legislative regulations allow them to do so, Legislative Assembly President Juan Jose Trejos Fonseca said.

The PLN announced that since the government never discussed the economic regulations with economic sectors such as businessmen's and workers' organizations, the debates of the Finance Commission will serve as a "forum for consultation" for these groups.

With regard to this, the president, who hopes to turn over to his successor a nation with a "true economic stability," said: "Of course, we discussed this bill with a large number of sectors. In other words, the people knew perfectly well what we were going to do."

Guatemala

Government Denounces Attacks, Threats

PA0708013490 Panama City ACAN in Spanish 1647 GMT 6 Aug 90

[Text] Guatemala City, 6 Aug (ACAN-EFE)—The Guatemalan Government denounced today the attacks and death threats against the parliament's deputies. The government said the attacks and threats are an attempt to destabilize and create problems during the electoral process that will conclude with the 11 November elections.

Government spokeswoman Claudia Arenas said eight parliamentarians received death threats from unidentified individuals last week. That warning worries President Vinicio Cerezo's government because one deputy, centrist Otto Rolando Ruano, was already assasinated on 25 July, she said.

Arenas said that unidentified groups want to provoke political violence and create an unstable climate in Guatemala through attacks and threats to congressmen.

She stressed that the government rejects any violent action and is trying to control those responsible for crimes and other acts of vandalism.

Amilcar Mendez, president of the "Rujunel Junam" Ethnic Communities Council (CERJ), also received a death threat last weekend.

Arenas said the government could protect deputies and any other person who felt his life was in danger if they request it.

As of now, no clandestine organization operating in the country has claimed responsibility for the threats to the Guatemalan parliamentaries or the president of the Ethnic Council. The security forces are continuing to investigate.

Nicaragua

Chamorro on Dialogue With Sandinists

PM0708072090 Paris LIBERATION in French 3 Aug 90 p 33

[Interview with President Violeta Chamorro by Claude Pereira in Managua—date not given]

[Text] [Pereira] Do you intend to start a dialogue as promised following the agreement signed with the Sandinist Front at the end of the strike? If so, how far will your concessions go, and do you intend to include it in your government?

[Chamorro] I intend to start a dialogue but not just with the Sandinist Front. It will be with all the nation's vital forces, the political parties, and also the private enterprises. But, having said that, I will not form a pact with anybody. The only pact I have made is with God. Let us make things clear. Thanks to the election on 25 February, we were able to oust the dictatorial Sandinist regime. We did not do so just to allow it in again through the back door. I am the president. And I will never form an alliance with the Sandinist Front. No thanks. We had it for 10 years. We never want it again.

[Pereira] Did you call in the military to crush the disturbances caused by the general strike? Is it true that General Humberto Ortega, head of the armed forces, refused to obey you? In this connection, will he keep his command?

[Chamorro] I have never called in the Army. I just called on the police to restore order. Now that I am president it is the police, not the Army, who patrol the streets here. Humberto Ortega is very provisionally armed forces chief. He will soon be replaced.

[Pereira] When?

[Chamorro] It was I who wanted him to stay. After all, Pinochet has remained head of the armed forces in Chile. And Ortega will leave when I so decide. It will be very soon.

[Pereira] Preliminary talks are now under way to reduce the Central American military arsenal. Will you support that plan?

[Chamorro] Absolutely. For a small country, Nicaragua has a huge army and police, which we certainly do not need. I want a numerically small army and a police that is also smaller. We intend to take the necessary measures to change all that.

[Pereira] The most radical elements of the United Nicaraguan Opposition [UNO], led by Virgilio Godoy, your own vice president, are calling on you to decapitate the Sandinist movement....

[Chamorro] I am not an assassin.... Everybody is talking a great deal. In a democracy, that is healthy, but people often say more than they think. Rest assured that the National Salvation Committee will not replace my government. Nobody will make me change. It was I who was elected. Nobody else. It is I who hold the reins.

[Pereira] The U.S. aid promised to Nicaragua seems to be arriving in dribs and drabs. Have you already received any? What is your country's exact economic situation?

[Chamorro] It is a disaster. We are in a state of bankruptcy. This country has been systematically exploited. Under the previous government, it was the victim of armed robbery. We are now living on international humanitarian aid and donations. The United States has offered us $300 million for the most seriously affected sectors of our economy—agriculture, health care, and so forth, but we also have help from other rich countries like France, which has given us $1 million.

[Pereira] What about the contras?

[Chamorro] They are Nicaraguans, too. They have the right to enjoy their nationality. They have the right to form political parties. We welcome them with open arms. You know, exile is horrible. And Nicaraguans will never again live far from their native soil against their will.

[Pereira] Since you came to power, former Somozists have returned in force. Your husband was assassinated by the former dictator's men. Is this not difficult for you?

[Chamorro] If you look closely at the people in the former government's circles, they included former Somozists—for instance, the former foreign minister. I have even been told that a long time ago Daniel Ortega himself spent long weekends at our embassy in Washington where his uncle had been posted. So? If you are referring to Arnoldo Aleman, mayor of Managua, he respects my decisions. He has some of his own ideas, but they do not worry me....

[Pereira] Your own family is divided. One of your sons is editor of the Sandinist newspaper BARRICADA, and the other edits your newspaper LA PRENSA. What happens at Sunday luncheon?

[Chamorro] Things are fine. That is democracy. I have very close relationships with all my children. When we meet we drink French champagne and that smooths over all problems.

Ortega Discusses Regaining Power in 1996

PM0708082090 Paris LIBERATION in French 3 Aug 90 p 33

[Interview with former President Daniel Ortega by Claude Pereira in Managua—date not given]

[Text] Managua—[Pereira] What is your analysis of the general strike that has paralyzed the country?

[Ortega] Contrary to what has been said, it was not a strike by the Sandinist Front, but by all Nicaraguan workers, not only those who voted for us but also those who voted for the United Nicaraguan Opposition [UNO]. The cause of the strike is the economic measures taken by the government and imposed by the IMF. It is important to realize that these measures are likely to result in the poorest of our fellow citizens starving to death. The Sandinist Front must defend the workers. It will do so. And those who are already dreaming of decapitating our movement must have no illusions—they will find us facing them. I am talking about the contras and the former Somozists who are active in some government circles and abroad. If there is a democracy in Nicaragua it is because the Sandinist Front won it by arms. We are neither submissive nor cowardly, and we will defend that conquest. This must be done through dialogue with the government.

[Pereira] What conclusions do you now draw from your 25 February defeat?

[Ortega] Our main mistake was that we were incapable of providing an answer to the population's desire for peace. Moreover, Mrs. Chamorro benefited from U.S. support and secured the promise that the economic blockade against Nicaragua would be lifted. So, what other outcome could there have been?

[Pereira] Does the fall of communism in East Europe and the tension in Cuba not make you feel rather isolated?

[Ortega] I think that what is happening in East Europe has nothing to do with what is happening in Central America or Latin America. Those are not countries that are very poor like ours, and they therefore have less of an economic problem than a problem of freedom. Cuba's case is also different. The revolution dates from the sixties, so it is very different from ours. I have often said that to Castro.

[Pereira] Is the Sandinist Front not likely to be pushed to the fringes following its defeat in the presidential elections? You are criticized for no longer having a plan to put to the voters.

[Ortega] We represent by far the biggest political force in the country. We brought together 80,000 people to commemorate the 11th anniversary of Somoza's fall. We will draw up the plan we intend to propose together with the population. And that is a great innovation. It is not the nine Sandinist Front commanders who will decide. The Sandinist Front congress, which will take place very soon, will be open to all. It will be open to our supporters and to others too, to those who voted for UNO. We will draw up a plan with them, with the grass roots. We regard that as democracy. And we will regain power in 1996.

[Pereira] In this connection, people are saying that there were discussions within the Sandinist Front leadership on the evening of 25 February on whether or not to accept the verdict of the ballot boxes. It is said that there were moderates—you and your brother, general Humberto Ortega—who were in favor of handing over power, and others who were opposed to it.

[Ortega] Never. We were all in agreement. It may be because there is still open discussion that you have the impression that there are moderates and hard-liners.

[Pereira] Will you be a candidate in the 1996 presidential election?

[Ortega] That is all still a long way off. The Sandinist Front will certainly put forward a candidate. It may be me.

U.S. Said Pressuring Chamorro To Withdraw Suit

PA0708033590 Managua BARRICADA in Spanish 6 Aug 90 pp 1, 5

[Report by Maria Alicia Talavera]

[Text] Yesterday, 5 August, Commander Daniel Ortega described U.S. Ambassador to Nicaragua Harry Shlaudeman's wishes that the Nicaraguan Government immediately withdraw the suit filed against Washington at the International Court of Justice [ICJ] at the Hague as "disrespectful and arrogant."

In answer to questions by BARRICADA, former president Ortega said that this "is the first foreign policy test" faced by Chamorro's government, because its response to that demand will demonstrate whether it defends national interests or whether it is subordinated to U.S. pressures.

During the last few hours, it was learned that Mr. Shlaudeman, who arrived in Nicaragua on 11 June, personally demanded Foreign Minister Enrique Dreyfus to withdraw the Nicaraguan suit against the United States, which was filed at the ICJ.

We tried to get in touch with Foreign Minister Dreyfus but were unable to locate him either over the phone or at his house in Las Nubes neighborhood near South Highway.

One of Dreyfus' employees, who identified himself as Juan Aguirre, said that Mr. Dreyfus "had gone to Managua" early in the morning. According to a report that was given to us over the phone, at 1700 Aguirre had still not returned home. It was confirmed, however, that Dreyfus did not travel to Colombia to attend the inauguration of the new Colombian president, but that at the last minute, Deputy Foreign Minister Ernesto Leal replaced him in that mission. Leal traveled to Colombia along with Foreign Ministry Protocol Chief Sandor Pallais.

On 26 June, one day before the fourth anniversary of the historic ICJ ruling, Ambassador Schlaudeman visited the Nicaraguan Foreign Ministry. On that occasion, Dreyfus said that the visit was the "first official visit" of the Washington representative. As for the follow-up to the ICJ trial, on that occasion Foreign Minister Dreyfus said: "It is frozen. All this must be studied as well as the quarrel with Honduras."

In answer to the same question, on that occasion Foreign Ministry Secretary General Gustavo Soto stated: "That is in the hands of the Presidency. We have no instructions on that at all."

In early June Doctor Augusto Zamora, chief of the legal advisory office of the Foreign Ministry, was unable to travel to the Hague which was going to take up the Nicaraguan case, because Dreyfus denied him permission to do so.

Days later Zamora and other Foreign Ministry officials were dismissed.

All day yesterday, BARRICADA tried to contact Deputy Foreign Minister Noel Vidaurre Barrios, but was unable to do so.

Last Thursday, during a meeting between delegates of Honduras and Nicaragua to discuss border problems, Mr. Vidaurre said that everything regarding the suit at the Hague "was not on the agenda of discussions."

Former president Daniel Ortega reiterated that the Nicaraguan Government has all the documents for the court of the Hague to pronounce itself on the validity of the suit.

The world justice tribunal condemned the U.S. Government on 27 June 1986 for its policy of death and aggression against the Nicaraguan people.

According to experts, Washington must pay Nicaragua a $17 billion indemnity.

Daniel noted that the ICJ must pronounce the amount that the United States must pay for its criminal actions against Nicaragua.

The former president insisted that the country should have all of those resources and compensation for all the families who lost children, parents, etc.; for peasants who lost their lands and cattle; and for the relatives of counterrevolutionaries who were victims of the U.S. war of aggression.

He recalled that the government of Mrs. Chamorro "cannot dismiss the suit just like that" because there is a law that prevents it. "That would have to be debated at the National Assembly."

Ortega said he will travel to Guatemala to receive from President Vinicio Cerezo recognition to be extended to the other former Central American presidents who participated in the Esquipulas process. "This recognition will confirm the role played by Nicaragua in the peace process," Daniel stated.

Humberto Ortega on Need for Change in FSLN

PA0708044890 Mexico City NOTIMEX in Spanish 1757 GMT 5 Aug 90

[Text] San Jose, 5 Aug (NOTIMEX)—Nicaraguan Army chief General Humberto Ortega said here today that the Sandinist National Liberation Front (FSLN) should start deeply reorganizing itself and abandon orthodox, radical, and dogmatic [esquematicas] positions.

"The FSLN cannot keep going in the same direction as it did during the 1960's or the 1970's," Ortega said in an exclusive interview he granted to NOTIMEX in this city.

"The concept of a National Directorate was necessary during the period of armed struggle to overthrow the Somoza regime. The last (?10) years must be analyzed because the FSLN no longer controls the state or the government," he noted.

Ortega said that this will be discussed during the Congress [words indistinct] years of Sandinist administration.

In this regard, Gen. Ortega said this was its best contribution to the guarantee of internal stability.

"To me, as a revolutionary, it is more important to save Nicaragua than to save the FSLN because I do not get my status as a revolutionary from being a member of the directorate. Ortega was in Costa Rica—which he had not visited in 11 years—to settle a legal conflict with the widow of a member of the Costa Rican Civil Police who was killed in 1969 when he headed the commando group that liberated FSLN leader Carlos Fonseca Amador from the jail in Alajuela.

[Words indistinct] the National Directorate of the party, which is now in the opposition.

"According to the law, what one cannot do is engage in proselytizing work in any [words indistinct] their political preferences," he pointed out.

The chief of the Nicaraguan Army, who is a brother of former President Daniel Ortega, did not rule out the possibility that the FSLN will become a social democratic party of the European type.

Regarding the reform of left-wing ideas, he said this does not mean a peson is a counterrevolutionary. It means simply that ideas and positions that are already obsolete must be updated." [quotation marks as received]

He reiterated the fact that the Nicaraguan Army is loyal to the Constitution and to President Chamorro.

"The Nicaraguan Army will never [words indistinct] and will never fire at the people either. It will never become a killer, help corruption, or become the arm of any exploiting sector in the country," he said.

He reasserted the Army's commitment to democracy, saying that it "will be the guarantor that Nicaragua will not slip toward fascism or left-wing totalitarianism, because both are terrible."

Panama

Noriega Documents Allegedly Leaked to Castro

PA0708013590 Panama City ACAN in Spanish 1813 GMT 6 Aug 90

[Text] Panama City, 6 Aug (ACAN-EFE)—Panamanian authorities are worried that Fidel Castro may have received through sympathizers of the Cuban regime in Panama copies of the documents belonging to General Manuel Antonio Noriega that were seized by U.S. troops during the invasion of 20 December.

Panamanian judicial sources expressed concern that hundreds of copies of the documents obtained by investigators authorized by a U.S. prosecutor to examine them reached the "hands of friends of the Cubans."

A magistrate from the Directorate for the Recovery of State Property (DRP), a court attached to the Comptroller General's Office, told ACAN-EFE that the documents fell into the hands of Cuban sympathizers at CELA [Center for Latin American Studies] and the Institute of National Studies [Instituto de Estudios Nacionales] (IEN) at the University of Panama.

The photostatic copies were obtained by U.S. lawyer Douglas Vaughn at a U.S. military installation in Panama in March. Florida Federal Prosecutor Dexter W. Lehtinen, who is in charge of the case against Noriega on drug-trafficking charges in the United States, authorized Vaughn and two other persons to review the documents.

Together with Vaughn, Panamanian reporter Guillermo Sanchez Borbon and Richard Koster, a U.S. professor residing in Panama, gained access to the documents. Michael Okane, who received the authorization, named all of them as his representatives.

The review of Noriega's documents by private citizens before they could even be seen by Panamanian authorities themselves has stirred up problems in Panama and the United States.

The U.S. Justice Department issued an "order to protect" Noriega's documentation on 18 July after learning that persons not connected with the case in the United States had access to it.

Apparently, some of the documents contain details of Noriega's relationship with Castro.

Koster told the DRP that neither he nor Sanchez made any photostatic copies but admitted that Vaughn did and that he gave them to persons working for CELA and the IEL. He added that when the documents were sent to the United States several weeks later, "there were not as many documents" [as there had been].

The Florida district court described the access to the documents by Koster and Sanchez Borbon as a "charade and a farce and as taking advantage of a false relationship" and asserted that "they were not investigators for legitimate exhibitory purposes but authors and newspaper staff writers unrelated to Noriega's trial.

In addition, the court demanded that the photostatic copies be returned and asked for a list of the persons who had access to the documents.

Professional Liability Offices Established

PA0708045290 Panama City EL PANAMA AMERICA in Spanish 5 Aug 90 p 1

[Report by Juan Pritsiolas]

[Text] The Panamanian Government has established Professional Liability Offices (ORP) within the National Police and the Judicial Technical Police (PTJ), aimed at detecting corruption, crime, and improper behavior among personnel of these public security institutions.

Thirty-eight members from both of these offices were given a course through the International Assistance Program for Criminal Investigation Training. According to Government and Justice Minister Ricardo Arias Calderon, these offices will be vital to fighting possible corruption within the public security institutions.

The ORP will be a sort of internal affairs department, and Arias Calderon explained that the idea is for public security institutions "to be primarily self-policing and maintain internally a level of responsible professional behavior, because as long as they do this, presidential and judicial branch measures will become unnecessary."

The course completion diplomas were distributed at the National Police headquarters on 3 August, and during his keynote speech, Arias Calderon told the graduates that the "key to fighting outside crime is to be sure there is none inside (the institutions) and that you are going to help guarantee this."

Ricardo Arias Calderon said that crime is going to be fought, but he said that he does not believe that crime levels are worse than in previous years; only that now, thanks to full freedom of expression, criminal cases are immediately made public, while in the past, most cases were kept quiet.

Another factor, which according to the minister has affected the crime rate, is that now in a democratic society criminals have lost the fear they also felt under the dictatorship.

For Dr. Arias Calderon, the fight against crime is the fight of all Panamanians through pluralist and police-like public security policies because "there are no magic formulas" to rid us of this evil.

According to Arias Calderon, the concept of a monolithic and military public security, controlled by the Defense Forces, has now become pluralistic, police functioning, and dependent on a number of state institutions.

Prisoners Escape En Route to Coiba Prison

PA0708045090 Panama City CRITICA LIBRE in Spanish 6 Aug 90 pp 1,24

[Report by Vasquez Galvez]

[Text] Anton—A large-scale prison break occurred yesterday in Anton when approximately 110 prisoners being taken in two buses to Santiago—for their subsequent transfer to Coiba Island—rebelled against public order agents.

The incident occurred in the sector known as El Chiru, Anton.

The prisoners apparently managed to overpower the public order agents who were guarding the buses and then fled in several directions. Not one has been captured so far.

Authorities in Cocle Province have only reported that a search is under way in the area where the prisoners escaped, adding that a report will be issued when the operation has been completed.

Meanwhile, Arcelio Bernal, also known as Planeta, a criminal who escaped from one of the Cocle jails, has yet to be recaptured. Shortly before escaping he sent the judge handling his case a small casket with a bullet inside, intending it as a threat to the official.

Argentina

Menem Leaves for Colombia To Attend Inauguration

PY0608140090 Buenos Aires TELAM in Spanish 1340 GMT 6 Aug 90

[Text] La Rioja, 6 Aug (TELAM)—President Carlos Menem left for Colombia at 0950 [1250 GMT] today aboard the Tango-1 presidential plane. In Colombia, President Menem will attend Colombian President-elect Cesar Gaviria Trujillo's inauguration.

Menem is going to Colombia with Foreign Minister Domingo Cavallo and Media Secretary Fernando Niembro, among other officials.

Cavallo Comments on Postponement of Bush Visit

PY0608200190 Buenos Aires TELAM in Spanish 1735 GMT 6 Aug 90

[Excerpt] La Rioja, 6 Aug (TELAM)—Foreign Minister Domingo Cavallo has said that the postponement of U.S. President George Bush's visit will not alter the U.S. initiative to establish a free trade region in the Americas.

Cavallo made that statement this morning at the local airport before joining the official Argentine delegation, headed by President Menem, to depart for Colombia. The Argentine delegation will attend the inauguration of Colombian President-elect Cesar Gaviria Trujillo.

Cavallo also denied that he will be a candidate for the Cordoba governorship. Regarding the plebiscite held yesterday in Buenos Aires province, Cavallo said that "the wrong method was used" and therefore "the people did not want to vote."

About Bush's visit, Cavallo said that the postponement of the trip will help to "unify domestic policies" and regional policies which seek "to coordinate the efforts of the Andean Pact with those of Argentina, Brazil, Uruguay, and possibly Chile and Paraguay, in the establishment of a common market."

Cavallo added: "The interesting point about this idea of establishing a common market is that it does not go against Bush's initiative" of establishing a free trade zone in the Americas from Alaska to Tierra del Fuego. He said: "On the contrary, it represents the lifting of trade obstacles in our countries." [passage omitted]

Collor, Lacalle To Attend Media Ceremony

PY0608171690 Buenos Aires TELAM in Spanish 1412 GMT 5 Aug 90

[Text] Rosario, 5 Aug (TELAM)—The Argentine foreign minister will honor the media of Argentina and Latin American, including the Rosario newspaper LA CAPITAL, for "their excellent work in promoting Latin American unity."

According to a report published today by LA CAPITAL, this ceremony, which will be presided over by President Carlos Menem, will take place at 0000 GMT on 13 August at the Alvear Palace Hotel in Buenos Aires.

The "Malvinas 90-Latin American Unity Edition" honors will be presented during this ceremony, which will be attended by Uruguayan President Luis Alberto Lacalle and Brazilian President Fernando Collor de Mello. Foreign ministers, ambassadors, diplomatic officials, and businessmen from Argentina and other countries will also attend the ceremony at the Alvear Palace Hotel.

Argentine Foreign Minister Domingo Cavallo will present these honors in view of the rapprochement that Latin American countries are implementing at the social, economic, and cultural level with the ultimate goal of achieving regional integration.

Cafiero Resigns as Justicialist Party Chairman

PY0708031890 Buenos Aires TELAM in Spanish 2115 GMT 6 Aug 90

[Text] La Plata, 6 Aug (TELAM)—Buenos Aires Governor Antonio Cafiero today resigned as president of the Justicialist National Council, spokesman Osvaldo Pepe has reported.

According to Pepe, press director for the Buenos Aires Government, Cafiero notified Jose Maria Vernet, second vice president of the Justicialist Party, that he is resigning because of the outcome of yesterday's plebiscite. Pepe said Cafiero's resignation is "irrevocable" and reported that the executive board of the Justicialist National Council will meet on 10 August.

Seineldin Calls U.S. Military 'Hypocritical'

PY0608192590 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1715 GMT 5 Aug 90

[Quotation marks as received]

[Text] Buenos Aires, 5 Aug (NA)—Colonel Ali Seineldin has admitted that he has never voted because he does not believe in the current Argentine multi-party system. Seineldin also said that he proposed to President Menem the establishment "of a fast-deployment force of 200 or 300 men" to be used to combat any problem."

Seineldin's concepts are included in a book that will be published soon. Highlights of some passages from the book were published today by a Buenos Aires newspaper.

The controversial military officer states that President Menem "told me that he would give further thought to the idea of a fast-deployment force but he then traveled to the United States and the idea faded away."

The book is called "The Painted Faces; The History of an Argentine Misunderstanding," and it was written by

Hugo Chumbita. The newspaper "PAGINA 12" published a paragraph in which Seineldin says: "It seems that there were conditions calling for Colonel Seineldin's discharge."

Seineldin also admitted that "I went on television (to discuss the U.S. invasion of Panama") because I was unable to enter that country. Had I been able to do so, I would have fought in Panama. I am also a colonel in the Panamanian Army."

He also described as "hypocritical" the attitude of the U.S. military men who have come to instruct Argentines in the struggle against drug trafficking. He added: "I cannot stand foreign generals, covered in medals, who come and tell me what to do."

Seineldin said: "If he is a foreigner, he has to behave like my father did when he emigrated to this land: Keep quiet, work, and listen."

'No' Vote Wins in Plebiscite on Constitution

PY0608185390 Buenos Aires BUENOS AIRES HERALD in English 6 Aug 90 pp 1, 7

[Excerpt] [NA-DYN]—Voters against reforming the Buenos Aires constitution buried the proposal spearheaded by Peronist Governor Antonio Cafiero and Radical Party Chairman Raul Alfonsin in an avalanche in yesterday's popular plebiscite.

At press time and after 78.65 percent of the votes were counted, the Electoral Board disclosed that about 65 percent of the provincial citizens voted No to the reforms: Out of 5,880,133 votes counted, 3,858,264 were No and 1,880,861 were Yes.

Only one hour after voting ended, Cafiero staged a press conference where he admitted defeat. "The people have said clearly enough that they don't like this constitutional reform," the governor said.

However, Cafiero ruled out the possibility of resigning: "I have a popular mandate which expires on December 11, 1991, and I intend to honour it." He acknowledged that he "did consider" the possibility of resigning his post as Justicialist Party chairman, but that he would discuss that issue with President Carlos Menem in the next few days. [passage omitted]

Brazil

Government 'Must Support' UN Decision on Iraq

PY0608181690 Rio de Janeiro Rede Globo Television in Portuguese 1600 GMT 6 Aug 90

[Text] Foreign Minister Francisco Rezek said today that Brazil must support UN Security Council's decision on Iraq, which does not fear reprisals concerning oil supplies. [Begin recording] [Rezek, in progress] ...there could be retaliations if we, alone or in a small group, took a somewhat more severe position. However, in the case of a collective action taken— decided— within the United Nations, there is no such risk.

[Reporter] [Words indistinct] in the case of [words indistinct] the United States and Europe. If such a blockade is accepted, would Brazil take part in it?

[Rezek] Brazil's inclination is to support the UN Security Council's decisions. At this moment we are not members of this council, but we know the rules of the game within the United Nations, and we would not like to disavow the binding force of a council decision. [end recording]

Minister Francisco Rezek confirmed the postponement of North American President George Bush's visit to Brazil—probably until late November.

The minister said President Bush sent a letter to President Collor over the weekend, claiming that the postponement of his visit was due to problems with the budget issue in the United States.

Silva on Impact of Sanctions

PY0708025090 Brasilia Domestic Service in Portuguese 2200 GMT 6 Aug 90

[Text] The comprehensive economic blockade against Iraq imposed by the UN Security Council today is going to cause serious problems for Brazil's oil supply. Iraq is our main oil supplier, with Brazil importing 160,000 barrels of Iraqi oil per day. Due to the UN decision, Brazil will not be able to buy any Iraqi product, except for medicine and foodstuffs. These statements were made by Infrastructure Minister Ozires Silva, who went to Planalto Palace this afternoon to discuss the problem with President Fernando Collor.

Minister Silva believes that oil prices will increase greatly. Over the past two weeks oil prices have increased by $9 per barrel, which means that Brazilian imports have increased by $4.5 million per day. Minister Silva also noted that the increase in oil prices will cause energy prices to rise.

UN Resolution Becomes 'Law'

PY0708012490 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 6 Aug 90

[Report by Alexandre Garcia]

[Text] The Brazilian Government had already decided to ban the sale of arms and ammunitions to Iraq; it had also decided to cool its relations with that country. Now the unanimous decision of the UN Security Council has become law in Brazil, just as if the National Congress in Brasilia had passed it. As a member of the United Nations, Brazil will side with the countries that have agreed to impose restrictions on Iraq.

For example, Brazil is prohibited from importing any Iraqi goods, including oil, and no Brazilian citizen may deliver services that have to do with Iraqi exports, such as unloading oil from a tanker. There is, however, an important exception in the UN resolution: It does not apply to the rendering of services to Iraq. This means that Brazilian companies operating in Iraq will not be affected.

The Brazilian Government is currently translating the text of the UN resolution into Portuguese so that it can be published in the DIARIO OFICIAL [the official gazette] like any other Brazilian law.

No Recognition for Kuwaiti Provisional Government

PY0608230490 Brasilia Domestic Service in Portuguese 2200 GMT 6 Aug 90

[Text] The Brazilian Government may stop selling weapons to Iraq. Foreign Minister Francisco Rezek said in Belo Horizonte today that Brazil does not like to see Brazilian-made weapons being used in offensive military actions like Iraq's invasion of Kuwait.

Minister Rezek also said that Itamaraty does not recognize the provisional government installed in Kuwait.

[Begin Rezek recording] The Kuwaiti state with which Brazil maintains bilateral relations has lost true power and a provisional government under a foreign military occupation has been installed instead. [end recording]

According to Rezek, Brazil will support the UN Security Council's repudiation of Iraq's occupation of Kuwait.

Government Invites Creditor Banks to Talks

PY0708024090 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 6 Aug 90

[Text] Brazil is trying out a new approach with its foreign creditors. While IMF experts are checking over Brazilian accounts, the government has invited its main creditors to discuss the country's foreign debt in Brasilia in August or September at the latest.

Brazil owes money to more than 700 banks all over the world, but today only 30 of Brazil's largest creditors received a telex inviting them to send a representative to Brazil. The Brazilian Government wants to hold separate talks with each of these banks to find out what kind of proposal to reduce the debt would be well received. On the basis of this information Brazil wants to draw up a single proposal that will be submitted to all the banks.

[Begin recording by Jorio Dauster, Brazilian foreign debt coordinator] We want to hear their opinions before drawing up our proposal in a sovereign manner. [end recording]

[Begin recording by economic commentator Joelmir Beting] Brazil is in a hurry. The government's invitation is aimed at getting the representatives of the creditor banks to Brasilia between 20 August and 14 September. The agreement with the IMF, which is in the process of being completed, is a green light for a renegotiation which may bring an end to the deadlock that has already lasted eight years.

With the backing of the IMF, Brazil will be able to obtain $2 billion from the Japanese Government and another $1 billion from Italy. These loans were approved earlier but had been shelved for the time being. [end recording]

Cardoso Discusses Industrial, Agricultural Policy

PY0608202390 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 5 Aug 90 p 6

["Text" of interview with Economy Minister Zelia Cardoso de Mello by Nelson Torreao in Brasilia on 4 August]

[Text] [Torreao] The big question in recent days has been the bonus for retirees. Has any decision been made about it?

[Cardoso] I have always said that I do not like granting bonuses to retirees and pensioners. Two aspects should be considered. First, the fiscal policy of the government presupposes a balanced budget and any problem in the social security budget is reflected in the fiscal budget. A bonus for retirees and pensioners would cost 40 billion cruzeiros and the social security budget cannot defray such a cost because revenues are declining. The other aspect is this: It should be recalled that retirees have been favorably treated over wage-earners in general because they were allowed to convert cruzados into cruzeiros, in response to a demand by labor leader Medeiros (Luiz Antonio de Medeiros, president of the Sao Paulo Metal Workers Union). The retirees converted nearly as many cruzados into cruzeiros as the states and the municipalities combined. They converted the equivalent of $4-billion worth of cruzados into cruzeiros. Another important point is that retirees have received a 27-percent increase related to the readjustment of the minimum salary. In my talk with labor leader Medeiros, I made that point very clear. I am willing to talk with retirees' representatives to show them this. If we decided to grant a bonus to retirees it would result in inflation that would have to be paid by all of society.

[Torreao] Will the retirees get a bonus, then?

[Cardoso] They will not get one. I intend to convince them that it is not possible.

[Torreao] Do you believe the battle against inflation has been won?

[Cardoso] I consider that we have taken a big step toward overcoming inflationary expectation. When other inflation indices are announced the victory will be consolidated. The indices announced last week show two important points: A decrease in the index measured by the average [of prices over the given period] and a larger decrease in the index measured from point-to-point [on the first and last day of the month]. The larger drop in

the point-to-point index allow us to suppose that the average will continue to decline. This will consolidate the reversal of the inflationary expectation.

[Torreao] Despite the good results, two immediate pressures on the rate of inflation remain: The pressure exerted by public utility rates and the pressure exerted by agricultural prices. Do you believe that these pressures will affect the inflation rate in August?

[Cardoso] Agricultural prices witnessed a problem this week on account of the freeze, the prices of farm products went up considerably. We might, eventually, have a problem with agricultural prices in September but I have the impression that the situation should improve by the time we have to establish production cost for the next season. Even so, we will probably have problems because we don't have a policy for financing production costs and a policy for marketing the harvest. We inherited these problems and we will continue to have them.

[Torreao] And the public utility rates?

[Cardoso] I would like to make two general remarks about that. First, we will implement a price policy that we believe is adequate for public utilities. Some utility rates heavily influence the price composition of other products. The cost of electricity as the energy to produce aluminum and other raw materials acts as a type of bellwether on the whole economy. For that reason we will have to be very careful about influencing this.

[Torreao] Will holding utility rates down be an instrument with which to fight inflation?

[Cardoso] I would like to refute that frequently-used argument by pointing out that the state-owned companies have for all these years granted the highest salary increases in Brazil. This is why I believe they have to be privatized. I would even like to see Brazil modernized to the point of ending the Petrobras monopoly. The Petrobras employees are privileged people; they enjoy First World salaries and benefits in Brazil. What happens—and this why I am in favor of across-the-board privatization—is that utility rate increases have unfortunately never increased the profits of the state-owned companies. Utility rate increases have had two repercussions: First, unwarranted salary increases and, second, increased costs for other projects.

[Torreao] Going back to agriculture, when will the government made a decision regarding its production cost financing policy and its harvest marketing policy?

[Cardoso] We hoped to have had those policies defined by the end of this week, but it wasn't possible. They will certainly be defined by the middle of this month.

[Torreao] With that truce in inflationary expectation, can the Economy Ministry contemplate some long-term policies?

[Cardoso] This is a good question. The inflation problem is commanding, and will continue to command our attention because it demands a very rigid administration of fiscal and monetary policies. In fact, we are preparing to give the private initiative, the domestic and foreign capitals, a medium-term horizon. Last week I received several businessmen, both from national and multinational companies, with the news that inflation has been vanquished and that now we need to think about the future. The industrial policy and the agricultural policy are a step in that direction.

[Torreao] Is there any news forthcoming in those areas?

[Cardoso] Yes, we will announce some of them by the end of this month. With this, the outline of the Brazil that we want will become more visible. The Investments Multi-year Budget, the subject of privatization, and the foreign-debt negotiation will provide a better picture. These are the challenges we now have.

[Torreao] What is the news regarding the industrial policy?

[Cardoso] The preparation of the technological upgrading program is quite advanced and the antitrust law was announced last week. The technological upgrading program should be announced by the end of this month and we will have some news in the areas of computer industry and foreign trade. In the agricultural policy there will be some news regarding imports.

[Torreao] The economic policy is sending out signals of difficulties, with reduced activity level. How do you view these signals?

[Cardoso] I would say that the very short and short-term signals are in fact signals of accommodation, of a cooldown. The truth is that for 10 years nobody has had the courage necessary to take measures to bring down inflation. There were periods of declining and climbing inflation—the upswings always greater than the downswings—alternating with periods of spasmodic growth. If you look at the 1980's, Brazil never had a consistent, self-sustained growth. The results of these ups and downs are absolutely tragic for the nation.

[Torreao] But won't the costs of the adjustment program make the Brazilian social problems worse?

[Cardoso] The citizenry must begin to understand the following: There are no half-measures. An attitude must be adopted, and it is sometimes difficult to do so, because it has its price. However, it will yield good results in the future, and everyone will benefit from it. Understanding this is very important for the spirit of combat against inflation. With this change of attitude we managed to establish the bases for a consistent growth. Brazil has unique conditions for attaining such growth.

[Torreao] The CNI [National Confederation of Industries] foresees a 10 percent drop in industrial production this year.

[Cardoso] That is certainly an exaggeration.

[Torreao] Does the government have different figures?

[Cardoso] The FIESP (Sao Paulo State Federation of Industries) announced that the employment rate even increased a little bit last June.

[Torreao] Does the government intend to intensify in the short term the de-indexation of the economy and eliminate the BTN [National Treasury Bond] and the fiscal BTN?

[Cardoso] Naturally, when inflation drops, monthly and daily indexation will also diminish. Company managers must begin to work as they did five years ago when the indexation of the economy occurred every six months and not every month. However, we do not think we will suspend the indexation now, because the daily BTN is important for the government since taxes are indexed to it. When the time for suspending the indexation comes, the market will be informed in time.

[Torreao] As for the foreign field, how are the talks with the IMF—which currently has a mission here—going on?

[Cardoso] I have not participated in these talks because they are essentially technical talks. They began by discussing last year's accounts and now they are discussing those of this year. An essential aspect of the foreign debt issue will change: The approach under which we want to discuss the problem. That will change radically. I am accompanying these talks from outside, Ambassador Jorio Dauster, our debt coordinator, is informing me of this. As far as I know, everything is going fine.

[Torreao] When will it be possible to reach an agreement with the IMF?

[Cardoso] I do not know. We would like it to happen as soon as possible, but this is not a simple matter. Brazil has a disadvantage in this game. The experience of Mexico scared the debtors very much, because there has been a great pressure from the U.S. Government to reduce the debt. Nowadays, the solidarity we could receive from other governments to improve the negotiation with the banks may not happen as it did three or five years ago. The same thing happens with the IMF, mainly regarding Argentina. Negotiations with Argentina, Costa Rica, and Venezuela left several marks. Therefore, there currently is a more prudent position being adopted by the banks, governments, and the IMF.

[Torreao] Could that hinder an agreement with the IMF?

[Cardoso] Even with the current prudence, the chances of attaining an agreement with the IMF are high, because our plan is completely impeccable. The IMF itself considers the Brazilian plan to be impeccable. I have been told this personally by Michel Camdessus, the IMF managing director. Therefore, from our point of view, we could sign an agreement today. However, this is a puzzle [preceding word in English]. We must see how the pieces will fit. I have already said that I will no longer make predictions. I will conduct the government economic policy, but I will not make any more predictions.

[Torreao] Will Brazil want "new money" [preceding two words in English] from the private banks?

[Cardoso] I have a cash approach to this issue. What we need at this moment is to lighten our money remittance abroad. We need a pause to finish our internal adjustment. Remittances to foreign creditors must be subjected to Brazil's payment capability. We cannot make compromises we will not be able to meet.

* Businessmen Assess Collor Plan, Major Problems

90SM0179B Sao Paulo O ESTADO DE SAO PAULO [Economic Section] in Portuguese 3 Jul 90 p 3

[Text] A survey conducted by the Sao Paulo State Federation of Industries (FIESP) indicates that 42 percent of businessmen are still hoping for good results from the Collor Plan. Now that the first 100 days of the plan have passed, 25 percent feel that it was a failure, and 33 percent consider it a success. The FIESP polled 912 firms in various segments of industry with a total of 450,000 workers. The answers were given between 18 and 22 June.

According to the poll, the biggest problem the businessmen had to face during the period in question was the exchange policy. Next was the profit margin, which is considered a hindrance to the success of the plan by 53 percent of the businessmen polled. The firms were operating at their full production capacity until March, but now the situation is different. Only 44 percent of the firms are using over 70 percent of their production capacity. The reason is the drop in sales that was experienced by 64 percent of the firms.

Interestingly, sales declined less in the interior (62 percent) than they did in Greater Sao Paulo (65 percent). And the recovery of the industrial sector was also more rapid in the interior, where sales have already risen by 24 percent, compared to 18 percent in the capital.

According to Carlos Eduardo Uchoa Fagundes, the FIESP manager responsible for the poll, there is pressure from suppliers that may cause the price of manufactured products to rise. Perhaps because of that, 40 percent of the businessmen feel that sales will continue to fall, while 28 percent feel that they will not change in coming months. Uchoa Fagundes says that the price of copper products, for example, rose by as much as 50 percent this past weekend. There are also wage increases. The result, he says, is that costs are rising, but the exchange policy is not keeping pace with those changes. As a consequence, production will probably continue downward, and exports "will certainly be affected."

* Petrobras Goal 1 Million Barrels Daily by 1995

90SM0179A Rio de Janeiro O GLOBO in Portuguese 1 Jul 90 p 52

[Article by Ramona Ordonez; first paragraph is O GLOBO introduction]

[Text] Petrobras plans to invest $18.2 billion (1.09 trillion cruzados at the commercial rate of exchange) between 1991 and 1995 to increase the country's petroleum production. Of that amount, $1.9 billion will be invested this year alone.

The country has two choices: to produce 1.8 million barrels of petroleum daily and achieve self-sufficiency by the year 2000, or to produce only 220,000 barrels daily. Faced with those two alternatives, it appears that the government will choose the one calling for an increase in production. At least what was previously only an intention is now a certainty: last week the chairman of Petrobras [Brazilian Petroleum Corporation], Luis Octavio da Motta Veiga, approved the program that calls for increasing petroleum production from the current 665,000 barrels per day to one million barrels per day in 1995, when consumption will total 1.45 million barrels per day. To do that, it will be necessary to invest $18.2 billion (1.1 trillion cruzados at the commercial exchange rate) during the period in question.

In an interview with O GLOBO, Joao Carlos Franca de Luca, Petrobras' director of exploration and production, did not conceal his euphoria as he emphasized: "The program of goals for 1995 is being launched; Chairman Motta Veiga has ordered people to roll up their sleeves and get to work." And with its sights set on the goal, Petrobras' leadership has decided to accelerate the programs beginning this year. During the second half of this year, the firm will invest $1.95 billion (117.1 billion cruzados) instead of the anticipated $1.6 billion (96 billion cruzados), resulting in an increase in activity.

Offshore well drilling this year will increase by over 50 percent (from 25 wells to 39). Of the total investment, 75 percent, or $1.4 billion (84.1 billion cruzados), will be devoted to exploration and production.

The director explained that the fields already discovered, most of them in deep water, already guarantee a production of 800,000 barrels of petroleum per day. The additional 200,000 barrels will come from new discoveries.

He explained: "We intend to invest an average of at least $3 billion (180 billion cruzados) beginning next year." He emphasized that beginning in 1994, the projects themselves will generate the necessary funds for continuing the investments. De Luca said that all the investments would be carried out with the firm's own funds, with no funds coming from the government. According to the director, execution of the investments will depend solely on the government's maintaining a realistic policy on fuel prices.

If that does not happen, production will drop to 450,000 barrels in 1995 instead of climbing to one million barrels and will total only 220,000 barrels per day by the year 2000. Those pessimistic figures were shown to President Fernando Collor to demonstrate the need to increase the state-owned enterprise's investments.

The star performers in the ambitious program for 1995 are the giant deepwater fields of Marlim and Albacora in the Campos Basin. Together, they hold reserves of over five billion barrels. That is more than the country's known reserves of 2.8 billion barrels.

The director emphasized the economics of those fields, which, despite their location in deep water, have high productivity per well. Each well will produce an average of from 6,000 to 10,000 barrels per day, compared to the Campos Basin's average of 2,000 barrels per well. Thanks to that high production level, the average cost per barrel of petroleum from those fields will be $10 (600 cruzados).

De Luca says that after achieving its goal in 1995, the firm will start work to achieve the country's biggest dream: self-sufficiency in the year 2000. Petrobras' goal will be to produce 1.8 million barrels per day. That will equal the consumption level if consumption grows at an average rate of four percent per year throughout this decade. During the period from 1996 to 2000, Petrobras will have to invest $24.3 billion (1.5 trillion cruzados)—an average of nearly $5 billion (300 billion cruzados) per year.

Petroleum Production by Year 2000

In order to produce one million barrels per day in 1995, Petrobras will have to double its current production, since the reserves in the current fields are being exhausted. The state-owned firm hopes to be producing 1.8 million barrels per day by the year 2000.

Petrobras Production Plans

	Production (thousands of barrels)		
Year	Current	New Projects	Total
1990	665	-	665
1992	610	130	740
1995	450	550	1,000
1998	350	1,100	1,450
2000	220	1,580	1,800

Source: Petrobras

Petroleum Arithmetic Has its Own Rules

Two plus two does not always equal four. This is true in the petroleum industry—do you want to see why? Petroleum production currently totals 665,000 barrels per day, and Petrobras' goal is to reach one million barrels in 1995. So the question is: by how much will it have to increase its production? If you answered 335,000 barrels, you are wrong. To reach its goal, the state-owned firm

needs to increase its current production by 550,000 barrels of petroleum per day.

"We will have to practically double our production between now and 1995," says Joao Carlos Franca de Luca, Petrobras' director of exploration and production. "This is because, as you know, petroleum is a finite resource, with the result that oil fields have a limited useful life. After production reaches its peak, it naturally begins a gradual decline."

Production from the fields currently being exploited totals 665,000 barrels per day. That figure will begin to decline as early as next year, and it will reach 450,000 barrels in 1995. Therefore, to achieve a figure of one million barrels in that year, another 550,000 barrels per day will have to be added to our production.

If the country is to achieve the self-sufficiency it is hoping for by producing 1.8 million barrels of petroleum per day in the year 2000, the company will actually have to increase production by no less than 1.58 million barrels per day, because the decline of the current oil fields is going to cause current production to drop to only 220,000 barrels per day by the end of the century.

The work of petroleum geologists is a race against time, because they must keep finding more and more petroleum not only to increase production but mainly to keep it at the desired levels. And the "tracking" done by geologists in sedimentary basins is still a matter of human intuition, says the director.

Despite all the technological progress which has undoubtedly facilitated geological exploration, the exact spot for drilling a well is still chosen by a human being. An example of this was last week's discovery of another oil field in the Santos Basin. Petrobras' geologists selected a spot for drilling a well and found oil in a region that had been unsuccessfully explored by experts from British Petroleum (BP) in the previous decade. "It is a matter of intuition—the way you interpret the seismic date," said De Luca.

Chile

Foreign Minister on Postponement of Bush's Trip

PY0708000990 Santiago Radio Chilena Network in Spanish 1700 GMT 6 Aug 90

[Text] President Aylwin was told on Tuesday, 4 August, that his U.S. counterpart had decided to postpone his official visit to Chile. The trip had been scheduled for late September. This information was released by U.S. Ambassador in Santiago Charles Gillespie who also informed Chilean Foreign Minister Enrique Silva Cimma.

The Chilean foreign minister also stated that the U.S. ambassador had asked him to keep the information confidential until Monday, which is why the Chilean Government did not issue any official communique on the subject.

[Begin Silva recording, in progress]....we have not released any official information, either. They told us about it and asked us not to [passage indistinct]. I do not know, you should ask the U.S. ambassador. [end recording]

The U.S. Embassy in Santiago will release its official statement on this subject this afternoon through Press Attache (Stanley Shepherd).

Foreign Minister Silva Cimma was asked whether he is satisfied with the reasons given by the northern power for the suspension of President Bush's visit, namely, domestic affairs related to Congressional discussions over the union's budget.

[Begin Silva recording] I still have to talk it over with the president of the nation and I do not want to pass hasty judgment on an explanation which appears to be perfectly satisfactory, given the situation in the United States and the standards of [words indistinct]. [end recording]

Silva Cimma concluded by saying that as far as he is concerned it is perfectly normal for governments to condition trips abroad by their top leader to domestic affairs, just as President Aylwin had to postpone his trip to Brazil. The minister ruled out the possibility that the postponement of Bush's trip could be due to reasons other than those stated by Washington.

Krauss Views Postponement of Trip

PY0608142490 Santiago Domestic Service in Spanish 1100 GMT 6 Aug 90

[Excerpt] [Passage omitted] Concerning the postponement of U.S. President George Bush's trip to Chile, Interior Minister Enrique Krauss said the temporary suspension of the North American president's visit is due to discussion of that nation's budget.

Minister Krauss has traveled to Colombia to attend the inauguration ceremony; his agenda includes a meeting with President-elect Cesar Gaviria.

Daily: Fear of Attack Behind Bush Cancellation

PY0608212790 Madrid EFE in Spanish 2023 GMT 6 Aug 90

[Text] Santiago, 6 Aug (EFE)—The Chilean newspaper LA TERCERA DE LA HORA contended today that U.S. President George Bush has suspended the visit he was planning to make to Chile on 20-21 September because he is afraid that he could be the target of an attack "by left-wing extremists or by former security agents."

The newspaper believes that the decision to postpone the trip was influenced by reports on a possible "dirty war"

between ultraleftist groups and former members of the now defunct National Intelligence Center (CNI), the secret police of the former military regime.

LA TERCERA DE LA HORA notes that a few weeks ago the Manuel Rodriguez Patriotic Front (FPMR) rejected President Bush's visit and attacked U.S. property on 26 July, the anniversary of the attack on the Moncada Barracks—which marked the start of the Cuban revolutionary process.

The clandestine newspaper EL RODRIGUISTA, which is the organ of the FPMR, announced that in the face of Bush's visit the FPMR will again regard all U.S. institutions and companies in Chile as "war targets."

LA TERCERA DE LA HORA says that, politically, Bush's visit was a "high risk" because demonstrations were called to protest the U.S. president.

The newspaper adds: "The visit to Chile was the part that instilled most fear in the Americans. Since they could not eliminate Chile from the tour without a reason they decided to postpone the whole tour."

According to official sources, which today confirmed the suspension of the tour, President Bush will not come to Chile because he has to attend a congressional debate on the U.S. budget.

The Bush Latin American tour was to have included Argentina, Brazil, and Venezuela.

The suspension of the trip caused surprise and disappointment in government and political circles because Bush would have been the first U.S. president to visit Chile in 30 years, and his presence in Santiago would have meant an endorsement of the democratic process that began on 11 March with the inauguration of President Patricio Aylwin.

TV Officials Arrested for Offending Pinochet

PY0708030490 Santiago Radio Cooperativa Network in Spanish 2300 GMT 6 Aug 90

[Text] By order of the Sixth Military Prosecutor's Office, the Carabineros have arrested Bernardo de la Maza, press director for Television Nacional de Chile, and Luis Acevedo, coordinator for that station.

According to Channel 7 editor Ignacio Gonzalez, the arrest warrant was issued in response to charges of alleged offenses against the commander in chief of the Army during an interview granted by Investigative Police Director General Horacio Toro to journalist (Patricia Politzer), which was broadcast by Television Nacional.

Allamand National Renewal Party President

PY0608142690 Santiago Domestic Service in Spanish 1100 GMT 6 Aug 90

[Summary] Attorney Andres Allamand has become the new president of the National Renewal Party [PRN]. He was supported by 305 of the 372 delegates accredited to the Third PRN General Congress, which began last Saturday [4 August].

The new president's ticket includes, among others, Miguel Otero, Alberto Espina, Gonzalo Eguiguren, and (Marina Proschle).

* Disputed Labor Reform Issues Discussed

90SM0178A Santiago EL MERCURIO in Spanish 1 Jul 90 pp 1-d, 2-d

[Article by Pilar Molina Armas: "Demands and Phantoms"]

[Text] Clothes make the man. These men belong to the same parties, are friends, have the same goals, but history placed some of them in government, the others in the main labor confederation, and each one plays the hand dealt to him. Right now they are opposing hands.

Representing the government, DC [Christian Democrat] Minister of Labor Rene Cortazar, his undersecretary, socialist Eduardo Loyola, for many years an attorney for CUT [United Labor Federation] unions, and his adviser, another socialist, Guillermo Campero, sociologist and expert on trade unions, are bent on reconciling CUT demands with the country's interests. From the other side, labor leaders are trying to ensure that the government will not stand in the way of their historic demands: Manuel Bustos, DC president of the CUT, socialist Arturo Martinez, general secretary, and members of the organization's Executive Committee such as Moises Labrana from the PC [Communist Party].

On Friday, 22 June, talks broke off between Minister Cortazar's team and the workers, talks which began last year as the Program of Concertacion Commission and continued in March as the government. There were basic disagreements on specific points of labor reforms being worked out by the government. The CUT was already complaining that there was no way of reaching an agreement with the owners and that the regime had delayed sending up the labor reforms too long. It announced that it would present its own proposals to Parliament and resolved, by way of a reprisal aimed at the government, not to send leader Diego Olivares to the United States to ask Congress to take Chile back into the General Tariff Preference System.

Bustos' Softening

Nearly all the modifications proposed by the Executive Branch are included in the program guidelines of the

Concertacion, but a number of essential points were not picked up by the government and this is what the CUT cannot accept.

Bustos therefore asked the government to keep its word: "We merely want the Concertacion platform to be respected," and tried to meet with President Aylwin Tuesday in order to learn whether or not the Ministry of Labor's proposals corresponded to a government policy or simply came from the negotiators. The president confirmed that the ministry's labor reform proposals were government policy and insisted on a tripartite rapprochement, urging them to get together with the owners.

Bustos gave in, viewing the "impasse" with the government as over and sending Olivares to the United States on his official mission. The president offered him nothing new, but it was made clear at the meeting that the fact that it was impossible to achieve total agreement between the two sides on modifying the Labor Code would not stand in the way of a better agreement. Moreover, concerning points of disagreement, everyone was free to present their views to Parliament.

Clashes and Suspensions

The Executive Branch announced it would present the proposed labor reforms to the Legislative Branch early in the month. They substantially refer to the individual contract, collective bargaining, and trade union organization, on which legislative work has already begun. Government sources told us that the fundamental decisions have been made and that only minor readjustments are needed. However, this is not the impression of the owners, who have not yet received the promised draft of the government proposals.

The union confesses it is completely willing to continue talks, but certain internal factions have taken a hard line. As a result, the talks being conducted by the Production and Commerce Confederation with the CUT were suspended in mid April. The owners decided to review their positions and contact was broken off and has not been renewed. Talks will probably be resumed next week, at the president's prompting late this week.

After the bilateral CUT-COPROCO [Production and Commerce Confederation] meetings were suspended in April, trilateral meetings began with the government in order to get out the Framework Agreement which was signed by the three on 27 April. Points of agreement on principles were set forth so as to reach a social understanding, but no agreement was reached on changes in labor legislation to give equal guarantees to workers and employers. It is true that for most owners, the existing legislation is the best, but they also understand that they must yield to the workers' demands if they want to legitimize their action. And yet, they are not willing to bend on what for them are matters of principle.

Inasmuch as they reached an impasse with the CUT, it was the government which resumed talks bilaterally with both sides in May. And that is where we are now, waiting for the CUT-COPROCO talks to be resumed because the government prefers to be a third-party moderator. According to Luis Larrain, researcher for the Freedom and Development Institute, "the government realizes that the Concertacion program on labor reform cannot be reconciled with the market economy, which is why it wants the owners to moderate the social demands that they themselves promoted in the campaign."

This is a difficult time to modify labor laws, the former director of ODEPLAN [National Planning Office] added. "It is an atmosphere in which the small owners, the great majority in the country, endured an increase in the minimum wage and monthly benefit payments (PPM) due to the tax reform."

It is a fact that there have been numerous layoffs over the past two months. The government is confident that they stem from the adjustment, but it does not rule out the fact that it is a result of the "labor reform syndrome."

Long-Term Task

No one debates the importance of the modifications in the Labor Code under study. For some, they loom over the productive sectors of the economy like a spectre because, in contrast to what might happen with the tax reform, they cannot be reversed in time. This explains the cautious manner of proceeding of the government—which has caused a strain in Minister Cortazar's friendly relationship with Manuel Bustos more than once—and of the business sector as well, for it has been much less drastic than the CUT in its public proposals.

Although there are no concrete results, Raul Garcia, general secretary of the SNA [National Agricultural Association] and the attorney who coordinated the talks with the CUT and the government, deems "the attempt to create a new reality in labor relations auspicious." He adds that the beginnings of an agreement detected so far are encouraging. They are areas in which agreements on such points as "the extension of collective contracts, a reduction of special work days to strictly necessary cases, or the way to come to agreement on and remunerate overtime" might materialize.

Eliminate Firings

But what are the basic reforms in which positions appear to be further apart?

The most important one has to do with firings—dismissal with no statement of cause—because it means modifying the individual contract governing 90 percent of all workers. Only 10 percent bargain collectively. At the present time, unjustified dismissals require indemnification of one month's wage per year for a maximum of five years for workers hired after 1981.

Government: The government proposes to eliminate dismissals with no statement of cause, replacing this article (155, F) with another permitting layoffs based on

"company need" in which the law will give the broadest possible interpretation of this phrase: technological or organizational restructuring, changes in the market or productivity, adapting personnel to the company's technical conditions.

It also proposes that for all dismissals indemnification be one month a year with no limit. The indemnification will have a 25-percent surcharge—the percentage is under discussion—if, in the opinion of the judge, the cause invoked by the employer does not exist.

The government maintains that making firing more expensive is the best equation which can only be adjusted by reconciling the two principles agreed upon by both sides: greater job stability for workers with the flexibility owners need for dismissal.

CUT: Although it initially went much further, it now reportedly clashes with the government's proposal, deeming the 25-percent indemnification surcharge when the judge rules against the employer to be inadequate.

Owners: Opposed to eliminating firing because, among other things, it affects competitiveness of companies by affecting the flexibility they need to meet changing technological, economic, financial, and market conditions. It weakens their management ability, with the resulting loss of incentive and the generation of an antiemployment bias that will stimulate capital-intensive projects.

In the opinion of Garcia, coordinator of talks with the government and the CUT, the system of the "justified" layoff will add other disadvantages: deterioration of work relations due to the possible increase in legal claims.

Concerning indemnification, the owners are categorical: It must have a limit both in time and amount. Otherwise, it will affect possible wage increases (due to the multiplying effect it will have on indemnifications) and worker productivity (neglected if they receive significant sums). Finally, they say it can be negotiated.

This is what the owners propose as being most favorable, but unofficial sources have told us they would be willing to make unjustified dismissals more expensive by paying a higher indemnification and agree to reserve—but not eliminate—the firing for a fixed percentage of personnel.

Freedom and Development Institute: According to Luis Larrain, legislation should not establish the reasons for dismissal, but the reverse: reasons not justifying firing. There must be flexibility in the rest in order to lay off employees by paying an indemnification perhaps a bit higher than at present when there is no statement of cause.

He adds that when the employer is made to bear the burden of the dismissal—through the courts or with unlimited indemnification—hiring is stymied, as one sees now. Those most affected are the small companies—which provide the largest number of jobs, paradoxically enough—which inherently need greater flexibility in hiring and firing because they do not have the financial capacity to withstand periods of economic ups and downs.

Collective Bargaining

The most important reforms in the area of collective bargaining modify the matter of who may engage in it and strikes. There are also other controversial aspects, such as the fact that the government proposes, in the case of labor, to situate it "exclusively" in the union organization.

According to the Freedom and Development Institute, it restricts the freedom of both sides to agree on collective contracts when, according to data from the Ministry of Labor, in 1988 some 60 percent of all successful bargaining was done by the unions and the remaining 40 percent by "negotiating groups" (groups of workers specially organized for the process).

Sources close to the government point out that the CUT and the owners agreed on the need to extend collective bargaining (only some 10 percent of the workers bargain) to companies now prevented from engaging in it (companies in which fewer than eight persons work). The differences emerge over how.

Government: It proposes to extend the right to bargain collectively to intercompany unions which are now made up of workers from different firms, but without that right, within activities in the same branch and only in small companies, which employ some 65 percent of all workers. It is still necessary to define exactly what "small" means (fewer than 25 workers?).

In medium-size and large companies that already have the instrument, collective bargaining will remain the same. The government would decide the delicate issue of bargaining by area—vaguely hinted at in the Concertacion program—by proposing "supraenterprise collective agreements." The latter would be voluntary at the confederation and federation level and their agreements would serve as a framework for subsequent bargaining in the enterprise, based on its productivity and possibilities.

CUT: It argues for extending interenterprise unions, with the right to bargain collectively, to all enterprises, moving toward its final objective: bargaining by area or branch of activity.

Employers: There is no official response to the government's preliminary proposal, but in general terms, this sector proposes that collective bargaining should continue in the enterprise because that is where increased productivity can best be rewarded. If the right is extended to enterprises which currently do not have it, via interenterprise unions, then one must seek a mechanism ensuring that relevant agreements are finally adopted in the enterprise, based on its characteristics. Such negotiations should be limited—by company size, the number of

workers, geographic location, shift—in order to prevent monopolistic situations hurting consumers.

The formula proposed by the government could have monopolistic effects—price setting—in cases such as bakeries or benzene pumps, for example.

Striking

The right to strike, which is exercised within the framework of collective bargaining, is another of the most highly debated reform proposals of the government.

In existing legislation, from the first day of the strike, the employer may hire replacements and after 30 days can negotiate individually with strikers. After 60 days, workers can go back to the employer's last offer.

Government: Proposes indefinite strikes with no replacements, a ban on the employer initiating individual negotiations after 30 days so as to prevent firing, and no contract expiration. In addition to relaxing current limitations placed on that right, the official proposal claims to regulate it with the mediation mechanism (like existing mechanism) and through arbitration.

The latter will be the responsibility of a member of an arbitration body appointed by the three parties. It may give guarantees to the parties and any one of them has the right to request it, at which point the strike must be suspended. The ruling of the arbitrator, who will choose between the two proposals, must be accepted. What the government must still define is when arbitration may be requested. It wants to establish a transitional period for the two sides to size each other up, 30 or 45 days, at the end of which a possible solution will be presented to prevent indefinite extension of the period and ward off the bankruptcy of the enterprise or intervention by authorities.

CUT: Basically in agreement because it is part of its program. However, it objects to arbitration because it limits the right to extend the strike indefinitely. It might end up accepting it if it can be invoked only by the workers. The CUT's position is to solve things by striking. Confronted with the government's claims that this has never been the case (65 percent do not exceed 20 days in length and indefinite strikes end in bankruptcy of the company or government intervention), officials claim there is a problem of principle. The trade union movement cannot accept arbitration.

Owners: They do not accept the strike as an indefinite situation in time during which the employer cannot hire replacements and in which affected workers do not have any possibility of arriving at an agreement if they deem it in their best interest. Such a standard, Raul Garcia says, would be a violation of the right to property, affect the management capability of companies, limit workers' freedom, have a negative effect on productive activities, intensify labor conflicts, and end up harming the community.

The union suggests improving mediation and arbitration mechanisms and encourages their use for the purpose of minimizing the possibility of strikes, particularly in such sectors as agriculture, where any paralysis of activities is inconceivable. Regarding seasonal work, in order to prevent disputes during critical periods, mechanisms such as the establishment of general conditions for an area or function, the operation of seasonal workers' organizations, and so on.

Freedom and Development Institute: According to this research center headed by former Minister of Finance Hernan Buchi, reforms proposed in the area of strikes and collective bargaining hark back to the 1973 situation. Based on CIEPLAN [Corporation for Latin American Economic Research] data, the decade of the '60's resulted in few productive jobs. The private sector generated only 40,000 jobs a year, compared with 90,000 for the public sector. In the past five years, on the other hand, with suitable labor legislation, the economy could have generated jobs to cover and even exceed the growth in the labor force, which expands between 150,000 and 200,000 persons a year.

Fight With Congress

At this point in time, it appears to be clear that it will be Congress which will end up defining changes in labor legislation. The government has not lost hope of presenting a proposal which by and large will be supported by owners and workers. But we are already behind schedule and the white smoke has not yet disappeared. The business sector responds to highly diverse interests and situations and COPROCO will have a hard time satisfying everyone. Moreover, CUT demands have for the most part been incorporated into the Executive Branch's preliminary proposals. However, there is no lack of those hoping it will harden its position vis-a-vis the government. For example, the Communist Party called for a mobilization throughout the country to support legislation on labor organization proposals.

The battle in Congress promises tension and great passion. For the CUT, it is a matter of historic demands. Owners are fearful that the very viability of the successful economic structure is at stake.

* Copper Corporation Crisis Noted

90SM0178B Santiago EL MERCURIO in Spanish 1 Jul 90 pp 1-f, 12-f

[Article by Andres Benitez P.]

[Text] Low productivity, surplus man power of over 3,000, high administrative costs, loss of ability to compete with American companies, a drop in the mineral standard, lower production, and on and on.

What appears to be a horror movie is unfortunately the situation of Chile's largest company, Codelco [Copper Corporation], as described by its new executive president, Alejadro Noemi Callejas.

The government may naturally not share this view, inasmuch as the day after Noemi gave his diagnosis, Minister of Mining Juan Hamilton said the statements were no more than the "personal views of the president of Codelco," leaving the entire problem at a currently unsolvable impasse.

At the same time, Copper Workers Confederation President Darwin Bustamante said upon leaving a meeting with the president that he did not share the view of the surplus man power. "I think the term used by the executive vice president of Codelco was very strong and we have naturally communicated our complete disagreement on that point to President Aylwin."

Furthermore, Bustamante said the issues of most concern to the workers included the matter of those exonerated under the past regime, "whose process of reincorporation has not ended." It should be noted that the measure will mean the addition of 600 persons to the already oversized Codelco plant.

Numbers

There are many versions of the situation and it is too early to hazard a guess as to which will finally prevail. What is clear is that Codelco has serious problems, as reflected by the numbers.

First of all, mineral content, previously one of the major assets of Chilean mines, is rapidly dropping. Contents on the order of 2 percent are already a thing of the past and it is hoped the figure this year will not exceed 1.27 percent. By 1998, it is not expected to be over 1 percent.

While the foregoing is part of a natural process (mines are gradually exhausted), it is also a factor that can be managed thorugh a rational exploitation of deposits and an active prospecting plan.

This is the thrust of certain criticisms of the current Codelco management to the effect that in the past, the strategy was to maximize production and benefits, thereby increasing the company's contribution to the fiscal budget. Judged from such an angle, results were successful. Production went from 894,000 tons of fine copper in 1981 to 1.2 million last year, and the contribution to the government hit the record figure of $1,961,000,000 in 1989.

"Application of the principle of maximizing production derived from a short-term focus which neglected costs, operating methods, environmental aspects, and long-term development," is the diagnosis of current Codelco officials.

One fundamental point has reportedly been the halt in company prospecting plans, making it impossible to soften the drop in the content of deposits being worked. In addition, it is claimed that the effort to increase production resulted in exclusive concentration on those sectors where the mineral is most concentrated, a situation now giving rise to a whole series of disadvantages involved in continuing work and higher costs.

"Gringos" Attack

When one looks at Codelco'S production costs over the past decade, one observes that after a major drop between 1983 and 1985—to $.30 a pound for copper—the trend was reversed and it is now $.40. While the level is similar to that of the early '80's, the problem is the competition.

Actually, while government mines in Chile have maintained their level of costs, the Americans have lowered theirs drastically. For example, the average cost in the United States was $.85 in 1982, more than double that in Chile, but that cost dropped to under $.50 by 1989, very close to Codelco's levels.

The secret here is that while we devoted our efforts to extracting the greatest amount of copper possible, American companies began a marathon effort to reduce costs, including layoffs, modernization of plants and administrative management, all aimed at reducing production costs. The results are obvious and if proper measures are not taken, American producers will have lower costs than Codelco.

Rancagua Knitters

While the strategy of speeding up production without any suitable planning did have an effect on the current situation of the biggest copper company in the world, its problems have been going on for years and are directly related to personnel.

At the present time, Codelco has 26,000 direct employees and uses over 17,000 contractors, many of them working in distinctly productive activities. Only 50 percent of the 26,000 are directly involved in the production process, while the rest are in support activities. It should be noted that in competing enterprises, the latter comprise no more than 20 percent of the total.

In order to gain some perspective on what this means, one has but to realize that Rio Tinto Zinc, one of the biggest mining companies in the world, has no more than 180 persons at the parent company. At its building in Huerfanos, Codelco employs over 600 persons.

Another fact: The Engineering Department at El Teniente alone has 700 experts!

It is a fact that Codelco is one big bureaucracy. Some 10,000 persons work at Chuquicamata and there are 3,500 job descriptions, all highly inflexible! Individuals are hired to do a specific type of work and absolutely refuse to do anything different!

For example, there is the well-known case at El Teniente of the Rancagua knitters, a group of women hired several years ago to do card punching. Since computers no longer use cards, the group was left without work and

categorically refuses training to do anything different. For years, they have been knitting!

In addition, there is a series of flaws in the contracts drawn up at El Teniente, such as the fact that a person earns more by being sick than by working! As a result, the rate of absenteeism reaches the extraordinary figure of 20.5 percent, compared with the national average of 3 percent. Other divisions do no better. In Chuquicamata, the figure is 5.5 percent; in El Salvador, 8.5 percent; in Andina, 7.5 percent; and in Tocopilla, 9.43 percent.

Based on all the foregoing, these figures mean that the company has to support an average of an additional 3,000 persons to have the average personnel it requires.

Then there is the accident rate. While in companies such as La Disputada de Las Condes, belonging to Exxon, it does not exceed 3.6, the average at Codelco is 16.47, with the most noteworthy case being El Teniente, where it reaches 20.58 percent. Many believe this is the direct result of the fact that workers earn more by being sick than by working.

Productivity

Codelco's productivity is therefore among the lowest when compared with other major mining concerns. As one can see in the table [not reproduced], while the amount of material handled per person a year at American deposits is never under 33 tons and in Canada 35, it never exceeds 13 at Chuquicamata, a third of the competition's figure! And this not only happens abroad, inasmuch as the figure for mines such as La Disputada de Las Condes is almost 30 tons per person, compared with 10 when Exxon bought it!

With such levels of productivity, Codelco will have difficulty competing very soon. The situation is not very apparent now because the price of copper allows room for everyone, but if the price goes down, things will grow immensely complicated.

Thus the concern of the company's new management team. Either something is done or we shall be forced to forget about Codelco as Chile's "life blood."

The major battle has to do with labor. Solving the company's problems necessarily depends on reducing personnel, a difficult task from the standpoint of excess personnel and the power of unions in this sector.

For the time being, the new administration is basically attacking the problem from two angles: early retirement and replacing contractors with company workers, measures which, while they naturally help, clearly do not resolve the basic problem.

In this same connection, we must make contracts more flexible and eliminate the detailed, distorted job descriptions such as those causing workers to earn more while sick.

"The current situation clearly cannot continue," officials say. "Today, collective bargaining adds $.02 to the company's production cost.

Government Squeeze

At the same time, it is vital to modernize the company's administrative management. Ideally speaking, divisions would be made more independent so they might have separate cost centers, also resulting in easier management control.

Officials are even mentioning the possibility of privatizing the Tocopilla plant, which is now generating more than Colbun Machicura, since it only means higher costs for any company expansion cost.

"Escondida managed to reduce its investments from $1.2 billion to $900 million just by subcontracting out energy services. In contrast, if Codelco wants to make a new investment, it must include in its costs the expansion of Tocopilla, which situation is a serious disadvantage."

Another disadvantage is the mere fact that it is a government enterprise, which forces it to be subject to a series of management restrictions.

This is particularly notorious financially speaking because Codelco, despite having a substantial flow of resources, is not empowered to make maximum use of them on the market. Consequently, it is not at all strange for it to have several hundred million dollars in the treasury at any given time!

Then there is the case of the company's $100-million "swap" aimed at taking advantage of high interest rates but which nearly overturned the Central Bank's restrictive policies. Similarly, Ignacio Guerrero has made statements in recent weeks that the company's financial handling should be based on market indicators.

Codelco must assume its proper role. Its financial power is greater than that of the country's largest bank. Consequently, one should not point to interest rate policies, swaps, or other matters without considering the company as an intelligent entity that can maximize its resources. For example, this corporation can alter the amount of money by 30 percent in one month," the executive said.

The financial realm also includes the famous law stipulating that 10 percent of sales revenue must be turned over to the Armed Forces. It is reported that this is a very detrimental tax in terms of the operation of the company since it causes many good projects to cease being profitable.

"For example, Chuquicamata now has idle capacity. It could do good business by buying concentrate and processing it, but with a 10-percent tax, this is not profitable. The result: The idle capacity remains," they say.

For corporation's Executive President Alejandro Noemi, it is vitally important to correct this problem. "This is an absurd situation that exists nowhere else in the world. If the Armed Forces need money, the resources have to come from a state fund and not exclusively from Codelco," he said.

The reserve law is naturally a rather delicate point and Minister of Mining Juan Hamilton is emphatic on the point: "Codelco and the government will comply strictly and appropriately with the obligations established by law," he notes.

It is not an easy road for Noemi and his team, or for Codelco either The enterprise unquestionably needs major changes, some of which will surely encounter stiff pressure. Nevertheless, the final result will determine the future of this company which, after so many years, continues to be the country's main source of foreign exchange.

* Lack of Foreign Policy Initiatives Criticized

90SM0178C Santiago HOY in Spanish 25 Jun 90 pp 23-25

[Article by Daniel Asenjo, Maria Eliana Castillo, Ricardo Urrutia, and Mladen Yopo, researchers for the Latin American Foreign Policy Tracking Program (PROSPEL), University Academy of Christian Humanism]

[Text] One of the five basic tasks outlined by Patricio Aylwin's government is Chile's reintegration into the world.

To achieve that purpose, it has outlined foreign policy aimed at highlighting the country's vocation of peace and cooperation, exhibits complete respect for international law, and promotes an unlimited defense of human rights and a strengthening of democracy, in addition to defending free trade, a fair economic order, and international cooperation.

In this way, the government has defined the framework of a more global, comprehensive policy than that followed by the previous regime, one aimed at maintaining fluid economic contact and recovering and reviving the previously weak political relations.

One can indeed appreciate progress over the past three months in the country's international reintegration and recovery of its prestige. Nevertheless, the Foreign Ministry's extreme caution is surprising inasmuch as it fails to take advantage of favorable opportunities presented to Chile by the international political environment.

One should point to the normalization of diplomatic relations with countries with which Chile has traditionally maintained friendship, such as Mexico and Yugoslavia, and the opening of representations in other areas such as Caribbean nations, actions which tend, particularly in the case of the latter, to revalidate the political environment in which the government is interested.

One recognizes the large number of contacts established by several ministers, Foreign Minister Silva Cimma in particular, with most governments in the hemisphere. In addition, prominent persons in the international arena are again visiting Chile and President Aylwin is being invited to travel. Even though these steps still do not go beyond mere formalities, understandably enough, they are unquestionably steps needed to revitalize Chilean relations.

Consistent with its purpose of promoting the defense of and respect for human rights, the Executive Branch has acted with speed to have Congress ratify international instruments relating to this issue.

In the sphere of economic cooperation, it cannot be denied that Chile is the object of preferential treatment from many developed countries, which are now willing to grant funds not strictly in keeping with the economic-commercial logic.

This change in attitude on the part of the international community toward our country, whose origin is the return of democracy, helps Chile to be heard with respect once again and considered in multilateral political forums.

One example of this change is Bolivia's withdrawal of the issue of the outlet to the sea from the agenda of the OAS General Assembly held in Asuncion in early June.

One can also observe that the area of international economic relations so vital to the country's development continues to have priority. The government is acting consistently and its goals and overall strategy are clear, coherent, and unchallenged.

Furthermore, the Executive Branch is willing to stimulate this understanding by periodically exchanging opinions with sectors involved in the foreign economic sphere. To this effect, the Ministry of Foreign Relations Economic Directorate has set up the Advisory Council in which owners and workers participate along with official representatives.

Gaps and Lack of Definition

Despite progress made and the short amount of time that has transpired, one observes with some concern the fact that the Foreign Ministry's development in the political realm exhibits gaps and a lack of definition in contrast with the vigor and certainty with which foreign economic affairs are managed.

It is obvious that clearer, more precise official postures are required on certain issues such as integration, the Andean Pact, the PLO, Israel, Cuba, South Africa, and the Nonaligned Nations.

The contradictory pronouncements, denials, and clarifications that have had to be made by high-ranking government officials reveal incoherencies that confuse public opinion and damage the government's image at home and abroad. At the same time, they damage the

credibility of the handling of foreign policy by the ministry and sow doubt about the suitability of the foreign minister and his most direct advisers.

Overcoming these deficiencies is the prerequisite the Foreign Ministry must fulfill before it plays the leadership role that is its due as the formulator and executor of Chilean foreign policy.

From this office must emanate an overall vision of international policy giving logic to all international actions of the different government agents, even economic, demonstrating that they are all inspired by a common effort to achieve common objectivity.

Only then will it be possible to achieve the government's purpose of making the economic and political areas walk hand in hand, resulting in greater fluidity and perspective for the reintegration. Otherwise, purely economic criteria will continue to prevail in decision-making, which characterized and limited the last regime and which was also criticized a good deal by democratic sectors.

In another sphere, it is indispensable to have a strict definition of criteria to name personnel who will formulate and execute the country's international policies. Today, suitability must be the key consideration.

It is also necessary to take concrete steps aimed at a structural and functional modernization of the Ministry of Foreign Relations.

No Leadership Pretensions

The current government opted for a low-profile foreign policy with no leadership pretensions. Its general pronouncements reveal that economic pragmatism and political realism are its basic characteristics.

Nevertheless, this option cannot mean self-limitation below the potential for international action which the country now has.

Foreign policy is an instrument for achieving domestic goals such as the development and consolidation of democracy.

Assuming that premise and aware that the mere fact of returning to democracy legitimizes the country's new international direction and broadens its possibilities for foreign action, a more active—although not activist—foreign policy development would be desirable, with a greater presence and measures.

Such a foreign policy would also help increase the domestic legitimacy of the current government and Chile's short- and long-term capacity for foreign bargaining.

The lack of definition detected on certain issues, plus an occasional reactionary or even erratic and generally timid behavior characterize the country's international political development during these first 100 days of democracy. The affirmation of such characteristics are not only disillusioning, but also carry a risk of alienating the country from organs essential to its viability.

* Budget Director Defends Economic Policies

90SM0180A Santiago EL MERCURIO in Spanish 24 Jun 90 p 14-f

[Interview with Budget Director Jose Pablo Arellano by Carolina Garcia de la Huerta; place and date not given]

[Text] He is undoubtedly a key man on the new government's economic team. None other than the controversial Budget of the Nation passes through his hands.

A tight budget, in his estimation, but not everyone agrees. The Freedom and Development Institute, headed by Hernan Buchi, has been emphatic in pointing out the extra funds available to government officials.

Although there may be disagreements on the exact figures, the fact remains that the government wants to increase spending to carry out its social programs. And that is where the revenues from the strongly supported tax reform, which soon will be an accomplished fact, will end up.

In this regard, Jose Pablo Arellano Marin, budget director, points out that "the zeros and the millions that people want to add to the budget we inherited may seem like a lot, but frankly they are not nearly enough to meet our needs."

Even so, the additional numbers pose problems. How the accounts will be financed appears clear, but it is still worrisome that the government is promoting greater spending when the country still faces some belt-tightening.

Many had hoped that the Treasury would support this process. Many times it was announced that part of the tax reform revenues would be saved for that purpose. But these words belong to the past. The reform revenues will be used in their entirety to finance the additional spending, and furthermore, the voluntary payments to the Central Bank will be cut by US $66 million.

All things considered, Arellano stresses the government's responsibility with regard to spending. And aside from the statistics, this Christian Democratic economist with a Harvard doctorate, who did research for the Corporation for Latin American Economic Research (CIEPLAN), has a clear message. "Perhaps we are too worried about an adjustment that is making us lose sight of the major changes that have taken place in the country. The 'political' adjustment has indeed been important, and the normal economic conditions will make it possible to implement measures of great social significance very soon."

And beyond the questions of how much money should be spent on what, Arellano also discussed the "controversial" points in the budget, such as the funds earmarked

for Congress and the hefty sums that will be set aside for compensation to be paid to political appointees.

Budget Cushion?

[EL MERCURIO] How can you explain the contradiction between the budget figures provided by the government and those advanced by the institute run by Hernan Buchi?

[Arellano] Different approaches may have been taken to the matter. But there is no doubt that as far as our central positions are concerned, there is no contradiction or difference of opinion.

[EL MERCURIO] What do you mean by "central"?

[Arellano] What was stated by the finance minister in the Chamber of Deputies: that this year's tax revenues had been overestimated. That is no hypothesis, it is a fact. Initially we were waiting to see the outcome of income tax collections in April, but all that did was confirm our assessment.

[EL MERCURIO] According to the announcements, tax collections fell short by US $301 million. Does that include just the difference in the income tax collections?

[Arellano] The overestimate of tax revenues totaled 117 billion pesos (about US $365 million). This was primarily due to the effect of the income taxes and the deferral of revenues paid to the Treasury from this year to next year, pursuant to a modification made last January.

[EL MERCURIO] Are you referring to the Monthly Provisional Payments (PPM) that businesses must make?

[Arellano] Precisely.

[EL MERCURIO] The discussion has focused on whether or not there is any cushion in the budget. The government has always contended that the budget it inherited is too tight. Why?

[Arellano] If a budget calls for 117 billion pesos in revenues that are not really there, a fact we all recognize, then there is undoubtedly a shortfall.

[EL MERCURIO] What is your opinion, then, of the cushion Buchi says you have, considering that he is familiar with these figures?

[Arellano] In this situation it has been said that there must be cash reserves that the Treasury could lay its hands on.

[EL MERCURIO] And also the "voluntary" payments from the government to the Central Bank.

[Arellano] Yes, there has also been talk of those payments. These are matters of opinion that can therefore be viewed from different angles.

[EL MERCURIO] In other words, do you agree that concrete statistics are subject to interpretation?

[Arellano] There can be different points of view. Regarding the cash reserves, we have stated very clearly that we do not think we can make use of them in situations like this.

[EL MERCURIO] And why not?

[Arellano] Because they are being held in reserve for those months of the year when the payments to be made are greater than the Treasury's income.

[EL MERCURIO] And what about the voluntary payments to the Central Bank?

[Arellano] That is money that the Treasury must take away from higher priority items each year because of the aftermath of a serious crisis in this country in 1982 and 1983, for which we are still paying the price. But we are aware that if we restrict the funds we turn over to the Central Bank beyond a certain limit, we may create a problem in terms of monetary policy.

[EL MERCURIO] What will be the consequences of those problems?

[Arellano] Higher interest rates and greater inflation. We want to solve problems, not create new ones.

Blessed Copper

[EL MERCURIO] But it is also true that you have nearly US $170 million more thanks to the rise in the price of copper, and some of those funds are at your disposal.

[Arellano] The whole idea of the Copper Stabilization Fund is to accumulate resources for when the price falls again.

[EL MERCURIO] That is the Fund, but there are also disposable resources that the government receives when the price of the metal goes up.

[Arellano] Yes, they are two different things. When the value of a pound of copper on the London market is between 83 and 93 cents, U.S. currency, seven cents can be spent and three saved. Anything above 94 cents is saved and deposited in the Fund.

[EL MERCURIO] What will the disposable resources be used for?

[Arellano] That is regarded as one of the sources of funds for this year's budget. That and the increased revenues resulting from the tax reform will help finance the entire spending program that the government is proposing.

[EL MERCURIO] Why are you always warning that the price of copper is about to fall?

[Arellano] Because there is great uncertainty about what will happen. Moreover, all the predictions are that it will fall.

Reform Revenues Spent

[EL MERCURIO] What will you do with the revenues derived from the tax reform?

[Arellano] This year they will be used primarily for social programs.

[EL MERCURIO] It is said that part of them will be saved as a way of supporting the adjustment. Is that true?

[Arellano] As the finance minister said, nearly all of them will be earmarked for social programs.

[EL MERCURIO] It was said that 90 percent would be spent. What will be done with the rest?

[Arellano] They will be left over for other programs.

[EL MERCURIO] So nothing will be saved?

[Arellano] No. The savings effort is related to the voluntary payments to be made to the Central Bank. That is where the Treasury's savings are reflected.

[EL MERCURIO] Why do you think today that it is no longer necessary to support the adjustment with the reform revenues?

[Arellano] All things considered, the government is pursuing a very strict spending policy, given the budgetary situation it faces.

What About the Adjustment?

[EL MERCURIO] What effect would it have on the economy if all of the tax reform revenues were spent, considering that the adjustment is still there?

[Arellano] The most serious thing, from the standpoint of macroeconomic management, would have been no tax reform at all.

[EL MERCURIO] Why would it have been serious?

[Arellano] If we had not proposed the reform, the Treasury would be contributing to the expansive policy, which would not be a good idea in the current state of affairs.

[EL MERCURIO] Expansive, in what way?

[Arellano] In January of last year a tax reform was decreed to change from an accrual basis to a withdrawal basis. Thus, tax revenues were declining tremendously. The total cost of those modifications will be felt this year, even more than projected. The Treasury, therefore, had an expansive policy.

[EL MERCURIO] But the Treasury will spend the reform revenues, which is equally expansive.

[Arellano] Many of these expenditures are required by law and would have to be made under any circumstances, such as the cost of living increase for pensioners, for example.

[EL MERCURIO] But couldn't you have saved something anyway?

[Arellano] The Treasury's contribution to the adjustment is reflected in the voluntary payments to the Central Bank. The only thing that is clear is that without tax reform there would be no voluntary payments, because the funds had to be taken from somewhere, and that would not have contributed to the adjustment at all.

Privatizations Delayed

[EL MERCURIO] To carry out the government's program, additional spending is required above and beyond the already approved budget of 161.855 billion pesos, while the additional revenues, counting the tax reform and everything, amount to 139.761 billion pesos. How will the gap be financed?

[Arellano] We are going to give US $66 million less to the Central Bank in our voluntary payments. This amount will make up for the difference between the revenues and the additional spending.

[EL MERCURIO] Among the budget shortfalls reported is 5.632 billion pesos less from the sale of shares. Is that for privatizations that will not take place?

[Arellano] Yes. Less revenue because some shares will not be sold.

[EL MERCURIO] Why is the figure so small if Colbun alone could be worth as much as 30 billion pesos?

[Arellano] It so happens that much of the revenues that Colbun would bring in would be offset by severance payments, so there would be no income for the government coffers as such.

[EL MERCURIO] How do you explain the fact that in a situation where additional resources are needed it has been decided to discontinue the privatizations?

[Arellano] I don't think a policy of privatizations should be carried out for the purpose of financing a budget. We have proposed increases in family allotments and minimum pensions, and these improvements will be permanent; they cannot be financed with one-time revenues. Now, the fundamental issue that confronts our economy is not whether the companies should be private or state-owned. In that regard, our position is very pragmatic: If it is appropriate to privatize a certain company, it will be privatized in due time.

[EL MERCURIO] What would be the major issues for you?

[Arellano] How much to invest, how to grow more, how to make an additional effort at savings, how to improve the efficiency of public and private companies alike. How the Copper Corporation (CODELCO), for example, can achieve that without constantly increasing costs.

More Discharges?

[EL MERCURIO] How do you explain the large sums—6.5 billion pesos—that have been set aside for compensation of public sector employees, specifically for political appointees?

[Arellano] According to the legislation left behind by the previous government, to remove a politically appointed official we must pay him compensation amounting to eight months' salary, and in many cases they are also entitled to take early retirement. This clause also enables ministers to hire their own secretaries, drivers, etc. So if everyone who falls into the category of political appointee were to be asked to resign, the cost would be 6.5 billion pesos.

[EL MERCURIO] Do you plan to discharge them all?

[Arellano] We are making allowances for it because that is how high the cost could run. The government would like to do this only in cases of great need.

[EL MERCURIO] The allocations for the National Congress are also remarkable: an additional 8.394 billion pesos. It is said that four billion would be for the building. How much will that infrastructure end up costing?

[Areliano] We will have to wait until it's all done to know the final cost, but it will be much more than originally thought.

[EL MERCURIO] A few months ago we were talking about US $50 million.

[Arellano] It will be more than that.

[EL MERCURIO] And the balance of 4.394 billion pesos is for Congress's operating expenses, that is, for congressmen?

[Arellano] The rest is related to operations, because the congressional budget was drawn up before it began functioning.

[EL MERCURIO] But three billion pesos were allocated in the original budget on the basis of historic congressional costs. What happened?

[Arellano] It had been 17 years since Congress had functioned, and it is very difficult to determine exactly what the needs of a nonexistent entity are.

[EL MERCURIO] Even so, some people are upset with the increase in the congressional stipends, which contrasts with the rhetoric about social needs.

[Arellano] It is natural for there to be concern about the high cost of running Congress. The senators and deputies will operate within their means.

International Monetary Fund

[EL MERCURIO] How was your meeting with the IMF?

[Arellano] The talks were very frank and cordial. The principal issue was the adjustment process, and we agreed that it is necessary. The second point was the situation in the medium term.

[EL MERCURIO] How do you see it?

[Arellano] We concurred that the country's balance of payments has a very favorable outlook, thanks to the expected growth of exports.

[EL MERCURIO] How favorable?

[Arellano] The future is promising, and it will give the country the breathing room it needs so that it will be in a position to renegotiate its debt and gain access to new sources of financing. This will strengthen investment and allow for greater growth.

[EL MERCURIO] The IMF was concerned about the adjustment. Didn't it pressure the Treasury to support this process more vigorously?

[Arellano] They feel that the Treasury should contribute to the adjustment process.

[EL MERCURIO] How did you react?

[Arellano] We explained to them what a tremendous effort the Treasury is making in this process.

[EL MERCURIO] Is what you are doing enough, that is, the voluntary payments to the Central Bank, as called for in the original budget?

[Arellano] They did not tell us what was enough and what was not. They stressed the importance of a Treasury contribution, and we agreed on that.

[EL MERCURIO] Growth fell from 10 percent in 1989 to 4.6 percent in the first half of 1990. What do you think will happen to this index?

[Arellano] Growth will probably be slower in the second and third quarters of this year, but towards the end of the year, the economy will pick up at a faster pace, though less than 10 percent. I wish that were the growth rate, but only when we are investing more than 25 percent of the GDP can we think about growing faster.

Colombia

Gaviria Calls Cartel's Truce 'Very Good News'

PA0608151790 Bogota EL TIEMPO in Spanish 3 Aug 90 pp 1-A, 9-A

[Text] Referring to the truce announced by "The Extraditables," President-elect Cesar Gaviria said yesterday that it is "very good news that those groups will eventually put an end to their terrorism."

Nevertheless, Gaviria said that it is "very difficult to understand or interpret a communique from a group which over the past few months, and especially over the

past year, has perpetrated so many terrorist actions and caused so much harm to society."

"The Extraditables" announced on 27 July that they would indefinitely and unilaterally suspend the murder of "policemen, judges, justices, politicians, and reporters," as well as their dynamite attacks.

In the same message, the Medellin Cartel hinted at its intention of having the extradition issue included in the agenda for the National Constitutional Assembly that will be summoned by President Gaviria.

The drug traffickers stated in their communique that they agree "with the statements made by the Patriotic Union to the effect that (the Assembly) should be autonomous, that there should be no prohibited topics, and that decisions should not be restricted by international agreements."

Gaviria's remarks are the first made by the new government in response to the truce announced by "The Extraditables."

Three days ago, outgoing Government Minister Horacio Serpa said: "As a Colombian, I find it odious to read a communique that says: We are informing the Colombian people that we will not murder any more policemen. We have murdered 250 of them, but we will stop doing that."

One day later, Justice Minister Roberto Salazar said in Bucaramanga that extradition is a weapon used by the state to confront crime, and that it should not, by any means, be included in the Constitutional Assembly's agenda.

Gaviria abstained yesterday from commenting on this issue. However, he said of the truce by "The Extraditables": "It is good news for Colombia that those criminal groups are going to end their activities."

Gaviria insisted that he has no way of "understanding that announcement, nor do I know what their intentions are. I do not know what they will do, nor to whom their statements are addressed, but it is good for Colombia that those criminal groups will not continue perpetrating crimes."

Meanwhile, yesterday made 96 hours—since the mafia's declared war on 29 March—during which no policemen were killed in Medellin or the metropolitan municipalities by the paid assassins who work for the Medellin Cartel.

A previous cartel truce failed in March. The cartel had surrendered laboratories and dynamite and released a few hostages through the mediation of Antioquia businessmen Santiago Londono White and Mario J. Aristizabal, who visited the Presidential Palace and met with Presidency Secretary General German Montoya and President Barco to promote a government-cartel agreement that did not prosper.

Gaviria Appoints Remainder of Cabinet

PA0708033790 Bogota Inravision Television Cadena 2 in Spanish 0004 GMT 7 Aug 90

[Text] The cabinet of President Cesar Gaviria has finally been formed after much discussion between the two groups of the Conservative Party. The new ministers are as follows:

Minister of Justice—Jaime Giraldo Angel; Minister of Defense—Oscar Botero Restrepo; Minister of Agriculture—Maria del Rosario Sintes Ulloa; Minister of Labor and Social Security—Francisco Posada de la Pena; Minister of Public Health—Antonio Navarro Wolff; Minister of Mines and Energy—Luis Fernando Vergara; Minister of Education—Alfonso Valdivieso Sarmiento; Minister of Communications—Alberto Casas Santamaria; Minister of Public Works—Juan Felipe Gaviria Gutierrez

FARC Sends Letter to Gaviria on Assembly

PA0708013790 Bogota EL TIEMPO in Spanish 3 Aug 90 p 9A

["Open letter" to President-elect Cesar Gaviria Trujillo from the FARC, Revolutionary Armed Forces of Colombia, dated 31 July]

[Text] Mr President:

Virgilio Barco is leaving office and leaving with him is an administration that has harmed the well-founded peace process begun by President Belisario Betancur.

After hearing recent statements over the radio by the individual who will be minister in charge of the policy of your administration, it is clear that the Colombian people's hopes in the new government might become a reality if what the minister-designate clearly and decisively stated is implemented, starting with the participation of the guerrillas in the constituent assembly.

The reestablishment of democracy means listening to the peoples' opinions, receiving their concerns, and seeking specific solutions to specific problems, whether they be economic, social, or political.

Everyone in Colombia is aware that the country is experiencing an unprecedented crisis. It is a crisis involving all values, beginning with the values of the state. It encompasses all the institutions, beginning with permanent ones such as the Armed Forces and the judicial branch. This crisis fully affects the government, regardless of the name or political position of the president.

It is in this direction that the constituent assembly must aim all its efforts to overcome the crisis. In order to do so, it has to gather the prevailing opinion in the country, it has to be courageous, and it has to abrogate the old—in other words, everything that obstructs development and

the expansion of the productive and democratic forces. The government must move in that direction, taking the crisis' bull by the horns.

So that the new government will not get sucked into the whirlwind of petty politics, it needs to open new paths and build bridges and channels for a great policy of reconciliation which, on the basis of a dialogue with the country, will determine new measures to lay the foundation for a firm and stable peace in Colombia, as can be inferred from what has been stated by minister-designate Julio Cesar Sanchez.

Yours truly,

General Staff of the FARC, Simon Bolivar Guerrilla Coordinating Board. Mountains of Colombia, 31 July 1990

Signed by Manuel Marulanda Velez, Jacobo Arenas, Alfonso Cano, Raul Reyes, and Timoleon Jimenez.

Bolivian Minister Iturralde Interviewed on Arrival

PA0608175390 Bogota Radio Cadena Nacional in Spanish 1200 GMT 6 Aug 90

[Interview with Bolivian Foreign Minister Carlos Iturralde by unidentified reporter in Cartegena on 6 August—recorded]

[Text] [Reporter] Could you tell us how you view President Gaviria's assumption of power?

[Iturralde] President Gaviria is a friend of Bolivian President Jaime Paz Zamora. We believe there will be very close relations between Bolivia and Colombia. These relations have improved lately. We have presented joint positions on several topics. I bring greetings from the people of Bolivia to the people of Colombia on this important civic event.

[Reporter] Foreign Minister Londono struggled to internationalize the drug problem. What do you think of the response by European governments and the United States?

[Iturralde] At the Vienna meeting, it was established that there should be shared responsibility between drug-producing and drug-consuming countries. After that, at the Cartagena meeting, here in Colombia, and in meetings held in England and at the special UN meeting on drugs, it cannot be denied that the industrialized, the consumer nations must help in this struggle. It takes time to get help. However, I hope that they realize that there is a shared responsibility between drug-producing and drug-consuming countries.

[Reporter] Recently, director William (Frieken), who made the movie Contact in France about drugs, rejected the excuse of the Bolivian and Peruvian governments that if the coca plantations were eradicated, the country's economy would be ruined. They ask for help to eradicate all the coca plantations and start with a new crop. What do you think?

[Iturralde] We have made a study of the impact of the coca economy in the country. Using figures from 1987 and later for 1989, the impact of the coca economy on Bolvia is betwen 15 and 20 percent of the country's gross domestic product. Therefore, it has a very important impact on the national economy. That is why we must seek an alternate economy. The United States and Euorpean governments have accepted this thesis after a careful study.

[Reporter] There has been much talk in the last few months about the possibility that U.S. troops could intervene in countries that grow and process drugs.

[Iturrlade] Bolivia is not going to allow the presence of foreign troops to fight drug-trafficking. We are complying with the Cartagena agreement, which clearly establishes that it is a police problem. Only when countires think it is necessary will the armed forces be brought into action. It will depend on each country's decision. However, there is no mention of foreign troops, and obviously they would not be accepted in my country.

[Reporter] I would like to ask you something that amazes Colombian reporters. How did Bolivia manage to reactivate its economy?

[Iturralde] It was a difficult process.

[Reporter] Yes, I understand.

[Iturralde] First, we eliminated subsidies; second, we controlled currency issuance; third, we eliminated price freezes; fourth, we allowed currency to reach its real value. There is complete freedom to buy and sell dollars. We also created a customs system decreeing a 26-percent customs duty for all products, and five percent for machinery and equipment. I am giving you a general outline of the basic means to control the Bolivian economy, which was in a process of hyperinflation. In other countries they have had to do things differently. We are now beginning a period of reactivation, which is what takes the most time. Reactivation is not a speedy process. It is a process of adjustment that takes time. Until it is completed, the people suffer. This process demands the participation of all sectors, otherwise we cannot advance.

[Reporter] This Bolivian model has been exported, has it not? For instance, Poland contracted your adviser Saks.

[Iturralde] Yes, they hired adviser Saks, who has been in several countries. I would like to tell you that in the case of Professor Saks there was a team of Bolivians who spent much time anaylzing what measures had to be adopted. This was done.

[Reporter] One last question. You will meet with President Gaviria to convey greetings from Bolivian President Paz Zamora. However, is there going to be meeting

of the presidents of the three drug-producing countries regarding the antidrug struggle?

[Iturralde] We have not yet fixed a date for a meeting. There will be a summit meeting of the Andean presidents in Bolivia at the end of November. The Andean foreign ministers are meeting now to discuss what government agencies wil have to meet to prepare the agenda. We must also analyze the decision adopted at the Machu Pichu, Galapagos, and Cartagena meetings. We must give the Andean Pact a very important boost. As far as Peru, Colombia, and Bolivia are concerned, we have not yet set a date for any meeting.

[Reporter] Thank you, and welcome to Colombia.

[Iturralde] I would like to say that I like Cartagena very much and that I am pleased to be here in Colombia. Thank you.

Cuban Vice President Arrives, Comments

PA0608193990 Bogota Inravision Television Cadena 1 in Spanish 1759 GMT 6 Aug 90

[Text] Cuban Vice President Jose Ramon Fernandez arrived a few minutes ago at the Catan Military Base. Upon arriving in Bogota, Fernandez said his presence at President-elect Gaviria's inauguration does not mean the resumption of relations between the two countries.

[Begin recording] [Fernandez] I cannot anticipate that. However, this shows that there are very friendly and smooth informal relations.

[Reporter] Is Cuba interested in resuming diplomatic relations?

[Fernandez] I believe we should not speculate over who is interested or not. We are very interested in keeping a smooth relationship like the one we have now and in having lasting communications and cooperation with the Colombian people and government. [end recording]

Iraqi Ambassador To Venezuela Arrives

PA0608220090 Mexico City NOTIMEX in Spanish 2029 GMT 6 Aug 90

[Text] Bogota, 6 Aug (NOTIMEX)—Majid Ahmad-Samarra, Iraqi ambassador to Venezuela and plenipotentiary representative to Colombia, said today that his country's 2 August military invasion of Kuwait was "simply internal aid given to a sister nation."

Samarra arrived today at "Catam" military airport in Bogota to attend the inauguration of Colombian President-elect Cesar Gaviria Trujillo's on 7 August.

The Iraqi ambassador said that his country's troops have begun to withdraw from Kuwaiti territory "because the internal conflict" in that nation "had been settled." President Saddam Hussein's government justified the military invasion in Kuwait by saying that it was done upon request from "free Kuwaitis who did not want a pro-Zionist Government."

Hussein has imposed an allied government in Kuwait and Samarra refused to comment on this or on reports that his country's military forces are being replaced by the Iraqi People's Army, which is comprised of activists of the ruling Baath Party.

Approximately 55 delegations have arrived in Bogota to attend Gaviria Trujillo's inauguration and U.S. Vice President Dan Quayle—who will meet first with the Colombian president elect—is expected to arrive tomorrow.

The Colombian Government has ordered 20,000 members of the national police and the Army to be in charge of the security measures during Trujillo's inauguration; his term will end in 1994.

Chile's Krauss Arrives for Inauguration

PY0708020690 Santiago Domestic Service in Spanish 2300 GMT 6 Aug 90

[Text] Upon arriving in Bogota, Colombia, to represent Chile at the presidential inauguration, Interior Minister Enrique Krauss expressed the Chilean Government's willingness to cooperate with Colombia and the international community in the struggle against drug trafficking.

The interior minister is accompanied by Ambassador Eduardo Vio, Foreign Ministry director of legal affairs, and Jose Manuel Lira, deputy protocol director.

At a news conference, Krauss referred to the ethical and political aspects of the Truth and Reconciliation Committee and to the economic situation of Chile and the region. He also stressed the Chilean Government's willingness to reach agreements that will encourage Latin America's integration into the international economic system.

Paraguay

Government Condemns Iraqi Invasion of Kuwait

PY0708005990 Asuncion RPC Television Network in Spanish 0000 GMT 7 Aug 90

[Text] The Paraguayan Foreign Ministry today issued a communique condemning the Iraqi aggression against Kuwait.

The communique states that the Iraqi invasion of a neighboring state violates fundamental principles that are widely recognized under international law and goes against the express provisions of the UN Charter and the Paraguayan Constitution.

Peru

Fujimori Cancels Trip to Gaviria Inauguration

PA0608195090 Lima Radio Programas del Peru in Spanish 1858 GMT 6 Aug 90

[Text] President Alberto Fujimori has cancelled his trip to Colombia, where he was to attend the inauguration of the new Colombian president. He adopted the decision because of his heavy schedule in seeking solutions to the country's urgent problems, according to a communique issued by the presidential press secretary.

President Fujimori stressed our ties of friendship with Colombia, and hoped for a positive democratic transfer in that country.

A delegation headed by Foreign Minister Luis Marchand left for Colombia to represent Peru at the inauguration. The delegation is composed of Congressmen Abel Salinas from the APRA [American Popular Revolutionary Alliance], Moises Molina of Change 90, and Gustavo Mome of the United Left.

Prime Minister Interviewed on Economic Program

PA0708002590 Lima Panamericana Television Network in Spanish 0100 GMT 6 Aug 90

[Interview with Prime Minister Juan Carlos Hurtado Miller by unidentified reporter in Lima—live]

[Text] [Reporter] Good evening, Mr. Minister. It has been announced that you will inform the country this coming Wednesday about the economic stabilization program. Everyone is asking what this program consists of, and what the economic stabilization program really is.

[Hurtado] Peru's economy is totally destabilized. For many years the decisions that should have been made to maintain a balanced domestic economy and to remain competitive abroad were not made. The program has two central axes. One is the national budget, which is really causing inflation in the country now but will permit us to have a balanced domestic economy for economic management tomorrow. The second one is the parity of exchange, the handling of foreign exchange abroad. These two concepts are really the central axes of the program.

[Reporter] How does the unbalanced budget influence the disrupted economy?

[Hurtado] The budget is an element that nurtures the inflationary process. The amount of money that exists in the economy is not in direct proportion to production and to the price levels of the economy. Since there is a totally disorganized and unbalanced price level, it is not in equal proportion to the amount of money that exists, to the rate of circulation, or the times that the money moves around.

[Reporter] Would you say that this fiction of the zero inflation budget, which was the norm during the former government, has been harmful?

[Hurtado] Yes, of course.

[Reporter] Will it be avoided?

[Hurtado] Yes, of course, it will be eliminated. In August we will go before congress to present our budget for the coming year. The concept of a zero inflation budget will be eliminated.

[Reporter] What about the parity of exchange, Mr. Minister? For example, you have talked about eliminating the MUC [single rate of exchange] and setting the dollar at its real value.

[Hurtado] Yes, that is the only way that the economy can be competitive abroad. National producers cannot work abroad, and they cannot place their products in the foreign market if they do not have the essential competitive element, which is the parity of exchange. It is imperative to use the rate of exchange to balance the foreign economy.

[Reporter] Won't this increase the price of some products, such as foodstuffs, which are purchased and imported with cheap dollars?

[Hurtado] Initially, of course, there is a direct effect on the prices, which is what causes inflation. Later, when the relative prices reach their rightful level, the economy will be perfectly stabilized.

[Reporter] Mr. Minister, you are probably waiting for Wednesday to give an explicit account of the economic program. However, there are a lot of people who are uneasy regarding the dollar. Can you tell us if the price of the dollar will increase?

[Hurtado] At the prices in today's economy, the parity of exchange is more or less achieved. However, since it is necessary to raise some controlled prices that are not at their genuine level, the rate of exchange immediately goes up. In the first instance, the rate of exchange brings about a process of inflation, which should go up in the month of August. That really is the initial impact of the stabilization program.

[Reporter] Then you will set a price on the dollar?

[Hurtado] We are not going to set a price. The dollar will be left totally free. There will not be a MUC, and the market will determine the price of the dollar.

[Reporter] What are the bases of this stabilization program?

[Hurtado] There are three. The first and most fundamental, I believe, is maintaining the real salary level. Why is it important to maintain the real salary level? Because it is the one that makes the economy more dynamic and will maintain the economy to prevent further recession.

[Reporter] Is it very depressed?

[Hurtado] It is very depressed. The second is to maintain the real cost of public rates. This is another aspect of our national economy. There is a lack of water, electricity, and all the public utilities, and there are telephone deficiencies and a lack of growth of telephone installations, all because the rates have not been changed and we do not have enough to even cover their basic costs, much less to reinvest and grow. Third, it is to promote an balanced stabilization. This means two things. First, that the stabilization program must be accompanied by a social assistance program, and, second, that those who have the most will pay for the stabilization program.

[Reporter] The big question here, Mr. Minister, is how will all of these major objectives be financed?

[Hurtado] There will be several, let us not call them taxes, but additional surcharges during these days. Taxes can only be imposed by the national parliament. There is an additional surcharge that occurs as a result of the difference obtained by the exporter in the type of exchange obtained today—which is a mixture of several types of exchange—and the real rate of exchange we will have tomorrow. Based on that difference, the exporters will have money to be able to finance the program of social assistance and the program of stabilization. There are other surcharges, which will be mentioned on Wednesday, to finance the stabilization process. The real transformations will occur subsequently with the extraordinary powers requested by President Fujimori in his message to the congress to implement a tax reform. Really, that is the important thing. That is the stable and permament thing. What is involved today is an emergency.

[Reporter] In any event, the central objective will be to have those having the most pay more of the adjustment. That would be just.

[Hurtado] Yes, of course. In the future, with the tax reform, the central axis of the handling of the future tax policy should be to reduce the number of taxes, expand the base, impose more direct rather than indirect taxes, and make the people really pay taxes. In this country, we are not used to paying what should be paid.

[Reporter] How many taxes will be cut?

[Hurtado] We now have approximately 41 or 43 taxes. The ideal thing would be to have a small number of taxes to make control very simple. Experts on tax matters say there should not be more than six or seven taxes.

[Reporter] In Bolivia, for example, the successful stabilization program reduced the number to four, and it worked.

[Hurtado] It worked because having too many taxes makes control very difficult and tax evasion easy. It also makes handling taxes very complex.

[Reporter] The obvious goal of the stabilization program is to make the country grow and develop. What would the central points of that development process be?

[Hurtado] In handling the economy there is a golden rule that must be based on the criteria of promoting and developing the country. For one thing, we have interest rates. We cannot have savings in Peru if real interest rates do not promote savings. The exchange rate is a factor that promotes exports—that is, our relations with other countries. Customs tariffs control the inflationary processes because we have (?monopolies) that push prices way up. They also promote industrial development. Lastly, we have taxes, a basic topic we just discussed. We have to pay taxes or otherwise the state does not have the means to develop. These four elements, or the fundamental golden rule, are the core of the economy.

[Reporter] For that to work, we do not just need a government that works but one that also makes clear the rules of the game, has realistic expectations, and instills widespread confidence within the country. Unfortunately, we do not yet have those things. How do you plan...

[Hurtado, interrupting] You mentioned very important things.

[Reporter] How do you plan to fix these things?

[Hurtado] You mentioned a very important point. I told you earlier that the budget is what fuels inflation the most. The budget is now operating with three or four percent revenues with the rest coming from the Central Reserves Bank through the primary issuance of currency that has no proper backing. Next, we have the expectations generated by the process of imbalanced relative prices. In the case of wages, for example, the government uses a system in which, at the end of the month, it raises wages based on the inflation rate of the previous month. All this does is return us to the starting point, and one never reaches a real wage. For example, if the inflation rate was 30 percent, it granted a 30-percent raise; if the inflation rate was 40, it granted a 40-percent raise.

[Reporter] You do not think that is right?

[Hurtado] No, because people are not very interested in what they already lost but what they need to buy in the future. The real way to handle this is to grant raises in line with the inflation rate one expects to find the following month. If you provide clear elements to agents of the economy as to what the economy will project, we will no longer have expectations that are added on, which means expectations are being added on. Instead, we will have reasonable expectations—namely, one knows the variables of the economy that are going to move and expectations rise based on the future, not the past.

[Reporter] That is the wage policy that will be maintained during your tenure?

[Hurtado] That is what is referred to as maintaining real wages—that is, increasing wages based on the purchasing power of the future, not what was lost earlier.

[Reporter] We have lost a lot, haven't we?

[Hurtado] Yes, a lot. Real wages are in very poor shape. That is why a focal point or backbone consists of keeping real wages to the extent possible.

[Reporter] What would happen if you are very optimistic and say that next month the inflation rate will be, say, 10 percent or 50 percent, but it is higher? If your projection is smaller than the actual figure, wages go down.

[Hurtado] In Mexico, they used a system of raises based on projections of future inflation rates with an adjustment made at the end of the month. The important thing is not to lose sight of the need to project toward the future instead of basing our actions on the past, as this refuels the inflationary process, and one can never achieve a true wage. We saw that this year.

[Reporter] Right.

[Hurtado] If you analyze the way wages and the inflation rate have evolved, you see the process is increasingly on the rise, and one never reaches real figures.

[Reporter] At any rate, it will take us a very long time to change our way of thinking regarding prices. The first month, you will not be able to do everthing you are mentioning here.

[Hurtado] The first and second months, or, say, until December so as not to be very optimistic, will be a critical time. That is when the success of the program will be seen. If we relax and are not quite as strong in adhering to the golden rule I mentioned or to the backbone of our program, and if we do not handle the two central aspects of the project, the stabilization program will fall through. The only thing we will have is one unfair economic package after another. We do not want that. We want to have a serious program of stabilization and to strictly adhere to it.

[Reporter] Are you going to unveil an unfair economic package on 8 August?

[Hurtado] No. We will announce a number of measures to stabilize the economy. With stabilization, original prices [precios originales] that are out of step will return to their level. So we will have price increases in August, because there is no way to avoid that. The exchange rate will also go up.

[Reporter] On this matter, we saw that the prices of certain items have been curbed.

[Hurtado] I wish to show you a very small chart, as the one I showed a few moments ago, that clearly explains the problem the economy has had in the past five years. If you draw a horizontal line showing the prices since 1985, there's the chart [video shows chart]. Here you see the real values [valores reales] of 1985. That line shows the relationship that existed in 1985, which was more or less set a real value. From that point until 1990, we have three prices that make up what I refer to as the golden rule. These prices are below the prices projected for 1985—namely, the exchange rate, public fares, and wages. These three things have deteriorated.

However, you see the projection of an upward curve, which represents marketing and commercial margins. That is speculation. If we succeed in lowering them to 1985 levels and raising those downward curves, we will be stabilizing the economy to a reasonable level of relative prices so that this can work.

[Reporter] What we are seeing on the screen is the legacy of disaster, as President Fujimori described in his speech.

[Hurtado] It is truly a disaster. The country's situation is disastrous. This is a war economy, and, unfortunately, stabilizing will cost all of us. We are trying to ease the impact on the poorest and make the wealthy help. That way, the stabilization process will be less harsh on the neediest.

[Reporter] Talking about those three prices—namely, exchange prices, public fares, and wages—which you said are totally out of step, we want you to be the first one to tell us, what should the exchange rate be? How much should the dollar cost?

[Hurtado] Presently, the parity of the dollar is between 200,000 and 220,000 intis. With the recent price increase, the parity of the dollar has been more or less balanced. In fact, 18 percent of the prices of the staple items are being controlled. It is true, however, that those prices are not found in the market at present.

[Reporter] That is right.

[Hurtado] If we lift the price control, prices will go up. By going up, the exchange parity—in other words, the equivalence between local and foreign prices—will change. Thus, the value of the dollar should go up. We believe that the parity of the dollar should be between 300 and 500 [figures as heard] perhaps. That, however, would very much depend on what the prices are at the moment the stabilization of the currency is implemented. In other words, it would depend on the entire process.

[Reporter] How much should public tariffs increase in order to reach their real value?

[Hurtado] I would not like to give an average, because telephone tariffs, for example, have astronomic figures. Telephone services are extremely expensive.

[Reporter] Yes, the telephone service is extremely expensive.

[Hurtado] Yes, but it is expensive because of our average income and because of the economic situation.

[Reporter] Then that means that salaries are also going to improve?

[Hurtado] Of course, there must a total improvement. All relative prices must reach a reasonable level. What are relative prices? Let me explain. Currently, we pay 120,000 intis for a liter of Coca-Cola. What is Coca-Cola? It is basically water with color and some gas. Yet we pay 30,000 or 40,000 intis for [a liter of] gasoline. That is demagogic. In other words, it is ridiculous to pay 120,000 intis for a liter of water with color and some gas while we pay much less for a nonrenewable resource that must be exploited rationally and that costs a fortune to exploit. This type of comparison is what we describe as a relationship among prices. That relationship is completely disproportionate.

[Reporter] Yes, it is completely out of proportion, but if these products are suddenly and abruptly sold at their real prices—as some have proposed—the population would have to pay an extremely high social cost.

[Hurtado] Right. That is why we have not launched the program yet. That is why we postponed the program until the social assistance program is implemented. Tomorrow [words indistinct] the health sector with the distribution of medicine. That distribution begins tomorrow. We will continue with this social program until Wednesday when we will launch the economic program along with the stabilization program. The Coordinating Commission for Social Assistance will be inaugurated on Tuesday, 7 August.

This morning I had a very pleasant meeting with Episcopal Conference President Msgr. Duran. I thanked him for the information he provided us. They have truly made great efforts to coordinate the social assistance program.

We are not duplicating efforts. We are not creating any institution. The 11 government institutions that are included in the supreme decree that was published in the newspapers are taking care of over four million people in Peru. We are simply reinforcing those institutions so that they give twice as much.

[Reporter] Are these programs being financed?

[Hurtado] They have already been financed with four million [not further specified]. We are simply providing an added national assistance.

[Reporter] How much is being added?

[Hurtado] This year we are adding $400 million from our own budget. We want to give some specific figures. We are allocating three percent of our GNP to social assistance programs. This represents approximately 600 million. [currency not specified]

[Reporter, interrupting] Mr. Minister...

[Hurtado, interrupting] This is extremely important. Excuse me, let me just finish this thought. We do not want to rely on foreign countries and beg for money. We do not want to beg for alms. What we want to do is to say that we have an intense social assistance program, which Peru needs and which we have implemented with our own efforts and amid the crisis and hunger our population is experiencing. Despite all this, Peru is allocating three percent of its GNP, which represents 600 million [currency not specified] to that social program. In addition, please increase the possibilities of that money to be able to implement a social assistance program of 1 or 1.2 billion [currency not specified]. I think that is feasible.

[Reporter] Yes, but that program is helping to improve the situation of the people who live in extreme poverty. But what about the middle class? Mr. Minister, do you picture public employees eating in public eateries during their lunch hour? How is that going to work?

[Hurtado] No. There is a basic difference. The working class has three different types of salaries. Public employees depend on the government wage policy. Private employees have two wage policies. One of them is applied to workers and includes labor union work contracts. Those workers have labor representatives who present the corresponding labor demands. The individual private employees are protected by the enterprises they work for. With this program, we are protecting the large majority that have no stable jobs, no salaries, and no labor representatives. We are representing those people. There are 12 million Peruvians living in poverty. Of those 12 million, seven million live in extreme poverty and half of these live in extremely serious conditions of hunger and poor health. This social assistance program seeks to help these people, because the rest of the people are already protected.

[Reporter] Mr. Minister: According to reports published this week, there were differences within the cabinet because no agreement had been reached concerning the adjustments. Has an agreement been reached? What is your stance?

[Hurtado] Several positions were originally presented. There was an economic plan proposed by the economic group when we arrived at the cabinet. President Fujimori's economic group had its economic plan. What we have done is contribute with our knowledge. There are five economists in the cabinet: the agriculture, energy and mines, industries, and fishing ministers, and myself.

[Reporter] Do you all think alike?

[Hurtado] Of course there are differences of opinion, which is excellent, because differences and debates are helpful to find the truth. We have thoroughly reviewed the plan, and the announcements we will make Wednesday represent a solution that has been made in consultation with notable economists in the country. It is not an exclusive plan. We have held talks with all the political parties, I am not sure if you know that...

[Reporter] Yes, I know.

[Hurtado] I have met in my office with representatives of all the political parties. On Monday [6 August] we will meet with Sode [Solidarity and Democracy], which is led by Silva Ruete, and with the United Left, led by (Piz), to finish debating the plan.

[Reporter] Have political parties agreed with your plan?

[Hurtado] No one agrees with an abrupt stabilization process. We do not want that. We are trying to conduct a fair stabilization process so that the process can be implemented at once but without hurting real income, which is one of the main goals in our plan. Logically, a stabilization process cannot be possible without causing some strain, because everything is so unbalanced. However, we must ask people to be patient and have faith, as we are doing our best. I am convinced and am fully committed to this plan, which is the only solution for our country's development.

[Reporter] The problem is that we have been asked to be patient so many times, and at the end we find ourselves in this dark tunnel without any way out. Therefore, expectations are high.

[Hurtado] Yes, the economic mishandling of the past five years has been really scandalous. I believe that we must stabilize our economy and this requires national unity. We must not cry over spilled milk or blame anyone. Let us work hard. If everyone works hard and conscientiously, we will pull the nation forward.

[Reporter] The incidents in Brazil can be a lesson for us. Hyperinflation became sort of a culture, where everyone was trying to speculate and to get more out of the little money they had. It was necessary to create a commissary in charge of controlling prices. Would you do something like that?

[Hurtado] No. Prices must be free. All controls—imports, exports, manipulating domestic prices, price control—only lead to speculation and distortion of the economy. The economy must be allowed to function freely, with its variables in place, and the economic agents—private and public enterprise, producers, merchants, consumers—will have the rules of the game clear. In that manner, the economy will not be destabilized. That is most important, as I said before when we showed the charts and I mentioned the four golden rules. If you handle the basic prices [precios eje]—interest rates, foreign exchange rates, customs, taxes—with a technical criteria, the economy moves, functions, stabilizes, and grows, which is what the people want so that there will be more jobs, work, and development.

[Reporter] How long will your stabilization plan last?

[Hurtado] The plan has been designed for 18 months; however, the first six months are the most critical, from now until December. We plan to make an evaluation in January. The parliament will be in a recess; however, we may call the parliament to special sessions to report to the national representatives on the success of the plan or the drawbacks we may have faced. We want to maintain national representatives and well-informed citizens. These types of dialogue and lectures are very important to inform the nation of what is being done with its money. The money we manage belongs to all Peruvians.

[Reporter] In other words, there will be no further adjustments to the plan from now until January?

[Hurtado] No, we do not plan to make any more adjustments. There will be only one adjustment from now until the end of the year. Exchange rates will fluctuate as necessary. The dollar flotation determines the exchange rate in the market, but it is not set by us. It depends on the market flotations and the various factors involved.

[Reporter] What new factors make you feel optimistic?

[Hurtado] Basically I feel that Peruvians are enduring, courageous, and hard-working people, who on many occasions have shown that they can face the most difficult times. I believe that that is where Peru's strength lies. Second, our people's faith is tremendous. Their religious faith in exceptional and constitutes their main inspiration to struggle and work. Third, although Peru is not an immensely rich country, it has many natural resources that we must exploit in order to move ahead. I believe that the imbalance we are currently facing will end in a large growth beginning next year. I do not think our GNP will grow this year, as we must first adjust and balance the economy.

[Reporter] In any event, what the government and specifically you will eventually need is strength and courage to continue your work. This was done under Salinas, as you may recall.

[Hurtado] Yes.

[Reporter] Later on, you got scared because of the magnitude of events and let things return to the way they were. Therefore, you will also have to take firm action.

[Hurtado] Let me tell you two things. Minister Salinas' effort was important and his cabinet let him act. This cabinet has two characteristics: Determination to carry things out regardless of the circumstances and the determination to leave our posts if plans are unsuccessful. I said a few days ago, and want to repeat it today, that if by December or January we have not reached the results expected from this stabilization plan, I will withdraw from the government because I will not harm the image of a government that has to remain in power five years, as is the people's will. Also, I do not intend to play with the people's beliefs and with the administration of the people's resources. I firmly believe that this plan will work out because it is the only solution. I will do my utmost so this plan works out. Otherwise, and if the plan is unsucessful, I will withdraw from the government. I will not be an obstacle to the recovery of the country.

[Reporter] Well, Minister Hurtado, we hope that the Wednesday announcement will not be a swindle.

[Hurtado] No, it will not be. There is no reason to be frightened. It is a harsh plan. It is not an easy plan and unfortunately it cannot be a simple plan in view of the levels of disorganization in the national economy. It is a harsh plan, but it is not the traditional swindle that requires a new swindle in 30 days to continue stabilizing [the economy].

[Reporter] What about the reported resignation of Change 90 Organization Secretary Pablo Correa because of disagreements over the magnitude of the adjustment. Does this not concern you? You are being left with no party support.

[Hurtado] I am not in charge of the Change 90 organization. It corresponds to President Fujimori as leader of his organization. Therefore, I do not interfere in the management of the party. However, I have been talking to all political groups represented at the parliament, not to seek consensus but to keep them informed so that they get to know the facts before the rest of the country does; they have the right to be informed on what will be done. Later on, I will provide more details to them when I go to congress, as established by law.

[Reporter] Mr. Minister, thank you very much for your exclusive statements for our program. We will be eagerly waiting on 8 August to learn about the economic measures you will announce.

[Hurtado] Thank you very much Fernando, thank you very much for inviting us.

Change 90 Secretary Resigns, Criticizes Movement

PA0708013390 Lima Panamericana de Television in Spanish 0300 GMT 5 Aug 90

[Text] Pablo Correa, secretary of organization for Change 90 resigned his post, claiming that there is a lack of organization in that political movement.

He said that the most experienced politicians deprive others from participating in the movment.

Regarding Economy Minister Juan Carlos Hurtado Miller's speech, Correa criticized the delay in announcing the economic measures and stressed that the people are not ready for the implementation of the possibly drastic measures.

[Begin recording] [Reporter] Mr. Correa, why did you resign as secretary of organization for Change 90?

[Correa] The word organization explains it. When there is disorganization, it makes one feel uncomfortable and the ethical thing to do is to resign. We have tried by all means to correct a situation that has continued for some time; we have done everything possible and have tried to get those who should participate in the organizational activities to get involved. Unfortunately, the objectives have not been met.

[Reporter] What is the reason for this lack of organization?

[Correa] The Change 90 movement is a new movement in which everything is labeled new. I believe this is so. The youth perceive that people want a change. However, when victory is near, it seems that the more experienced politicians begin to act. Unfortunately, they want to be the leaders when they realize that the party is strong. Then others are denied participation, and many who worked very hard become resentful.

[Reporter] Are President Fujimori and his advisers unaware of this uneasiness within the rank and file, or are they simply trying to ignore it?

[Correa] I prefer to think it is the first situation you mentioned, because if the second were true, the discontent would grow.

[Reporter] Could it lead to a massive resignation of militants of Change 90?

[Correa] I hope not.

[Reporter] What are your comments on yesterday's message—very brief indeed—by Minister Hurtado Miller?

[Correa] As you just said, it was really too brief. With all the respect that the prime minister deserves, I believe that delaying things is no consolation for the people. Those of us who are close to the rank and file are very concerned, particularly about the support and the aid that the people deserve. They deserve social aid because the social cost can be too high, and this should be prevented.

It seems to me that this is also the result of a lack communication and of not telling the people what is actually happening. We are aware that the situation is very difficult and critical, but if we remain united and hopeful, we can endure the sacrifices.

However, if there is a lack of confidence, it is then very difficult to ask people to make sacrifices, particularly when only the people are asked to make sacrifices and there are some who are not making any sacrifices at all. [end recording]

Uruguay

Three Countries Analyze Agreement With U.S.

PY0608221590 Buenos Aires DYN in Spanish 1616 GMT 5 Aug 90

[Text] Montevideo, 5 Aug (AFP)—Uruguayan Foreign Minister Hector Gros Espiell announced on 5 August that Argentina, Brazil, Uruguay, and the United States are analyzing an agreement on trade and investments that will be signed in September within the framework of President Bush's "Initiative for the Americas."

The Argentine, Brazilian, and Uruguayan presidents will go to New York early in September to attend the UN General Assembly. They will meet Bush and will eventually create a commission to promote trade and investment in the Southern Cone.

The "Initiative for the Americas," which was launched by President Bush one month ago, provides for the creation of a free trade zone in the continent, increased risk capitals for the Southern Cone, and the eventual pardoning of part of the Latin American debt.

On 4 August Bush decided to postpone his tour of the Southern Cone for internal political reasons. During his tour that was scheduled to be held before the UN Assembly, Bush was to have personally discussed the implementation of his plan with Brazilian President Fernando Collor de Mello, Argentine President Carlos Menem, and Uruguayan President Luis Lacalle.

Gros did not provide details of the agreement but gave assurance that the foreign ministers of the four countries will sign it in New York late in September.

Batlle Wins Primaries of Colorado Party

PY0608223790 Buenos Aires DYN in Spanish 1722 GMT 5 Aug 90

[Text] Montevideo, 5 Aug (AFP)—On 5 August, leaders of the liberal Colorado Party reported that 30 years after the failing in his attempt to take power, Jorge Batlle, 62, ousted the faction led by former President Julio Sanguinetti (1985-90) from the leadership of the Colorado Party.

Batlle, the heir of the most illustrious local political dynasty, failed in his attempts to take up the presidency of the Republic in 1966, 1971, and 1989, and since then he has been unable to emulate his great-grandfather Lorenzo, his great-uncle Jose, or his father Luis, who in less than 100 years ruled the country for five presidential terms.

The primaries of the Colorado Party (which is second by number of votes and a member of the government's coalition) took place on 4 August with the participation of 500 convention delegates, who were elected in November 1989 along with the other national authorities.

The faction led by Batlle, which came first with 143 votes, obtained five seats at the National Executive Committee [CEN], which is made up of 15 members.

Former President Jorge Pacheco Areco (1967-71) obtained 138 votes and four seats at the CEN, the faction led by Senator Pablo Millor received 88 votes and three seats, and the faction headed by Sanguinetti obtained 93 votes and three seats.

New Colorado Party Executive Board Proclaimed

PY0708031090 Montevideo Radio Carve in Spanish 0000 GMT 7 Aug 90

[Summary] The new Colorado Party executive board was proclaimed today. The presidency will rotate every 15 days among all the executive board members, beginning with Jorge Batlle. The full and alternate members of the executive board are as follows: Jorge Batlle, Jorge Sanguinetti, Federico Bouza, Jose Luis Batlle, Juan Justo Amaro, Jorge Pacheco Areco, Raumar Jude, Mario Canton, (Oscar Magurlo), Antonio Marchesano, (Ope Pasquet), (Eduardo Malaquina), Pablo Millor, Dante Irurtia, and Walter Riesgo.